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Indian Stock Market and Equity Trading Patterns – An Analysis

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ABSTRACT

In this paper author seeks to present indian stock market and equity trading patterns. **Design/methodology/approach-** this Study is mainly based on secondary data. Data are collected from sources such as internet websites of selected companies Balance sheet annual reports. Analysis of data is done with the help of Descriptive Statistics. **Implications -** This study helps the investor in identifying the performance of selected Equity stocks for a given period. And also this study helps the companies to assess their performance and take various measures to improve the Market value of shares and financial results. This study helps Investors, Broking agencies, to understand Equity performance and also helps the government to frame policies. **Findings-** it's found that a company which is earning more return comparatively other company showing less inconsistency in their performance. A company that is earning low those are performing consistently good. So it is recommended that the A company need to take some measures for maintaining consistency in their performance. And a company that is performing well needs to take some measures to aggressively earn a return to increasing the wealth of the company and maximization of the value of equity and value of a firm in the competitive market.

Keyword: Market cap, Earning Per Share, Return on Equity, Return on Cash, Quick ratio.

1.1 INTRODUCTION

It has also often been confused with the term speculation. The following discussion will explain the various ways in which investment is related or differentiated from the financial and economic sense and how speculation differs from investment. However, it must be established that investment involves long-term commitment For most of the investors throughout their life, they will be earning and spending money. Rarely, investors' current money income exactly balances with their consumption desires. Sometimes, investors may have more money than they want to spend; at other times, they may want to purchase more than they can afford. These imbalances will lead investors either to borrow or to save to maximize the long-run benefits from their income. When current income exceeds current consumption desires, people tend to save the excess. They can do any of several things with these savings. One possibility is to put the money under a mattress or bury it in the backyard until some future time when consumption desires exceed current income.

When they retrieve their savings from the mattress or backyard, have the same amount they saved. Another possibility is that they can give up the immediate possession of these savings for a future larger amount of money that will be available for future consumption. This trade-off of present consumption for a higher level of future consumption is the reason for saving. What investor does with the savings to make

Investing in the stock market provides many investors a way to earn money in a short period. Many of the new investors or aspiring investors fall short in understanding the stock market and get confused and often frustrated, leading them to make mistakes and incur losses which further demotivates them from investing, and as a result of this, they resort to traditional ways of investing in bank fixed deposits or such which yield them not many returns. The primary purpose of this study is to analyze the financial performance of the company, and also this study focuses on analyzing the Market capitalization performance of selected companies, and also this study analysis the selected financial ratio of Selected companies and also this company analysis the Earning per Share of selected companies to analyze the equities of the selected companies.

Analysis equities provided a clear vision on how to navigate through the stock market to make higher profits in a short period, or how to have moderate profits with aggressive risk factors governing the investments made by the investor. The knowledge about the analysis of equities is increasing amongst the investors who are looking for new ways of income other than the job and to earn additional income other than salary, as they want to increase their standard of living. Investing in the stock market is a highly risk-oriented task but high returns on the investment are obtained through vigilance on market and careful investing.

1.2 CORE CONCEPT

a. Market Cap

Market capitalization refers to the total dollar market value of a company's outstanding shares of stock. Commonly referred to as "market cap," it is calculated by multiplying the total number of a company's outstanding shares by the current market price of one share. As an example, a company with 10 million shares selling for $100 each would have a market cap of $1 billion. The investment community uses this figure to determine a company's size, as opposed to using sales or total asset figures. In an acquisition, the market cap is used to determine whether a takeover candidate represents a good value or not to the acquirer.

market capitalization is: Market cap = share price x shares outstanding

b. Earnings Per Share

Earnings per share (EPS) are calculated as a company's profit divided by the outstanding shares of its common stock. The resulting number serves as an indicator of a company's profitability. It is common for a company to report EPS that is adjusted for extraordinary items and potential share reduction. Earnings per share value are calculated as net income (also known as profits or earnings) divided by available shares. A more refined calculation adjusts the numerator and denominator for shares that could be created through options, convertible debt, or warrants. The numerator of the equation is also more relevant if it is adjusted for continuing operations.

$$Earning\ Per\ share = \frac{Net\ Income - Preferred\ Dividend}{End\ of\ the\ Period\ Common\ Share\ outstading}$$

c. Financial Ratio

Financial ratios indicate the association between two numbers extracted from the financial statements of firms. The performance of firms can be assessed with the use of financial ratios over an accounting period or accounting period. One of the two numbers will constitute the denominator while the other number will constitute the numerator. Financial ratios can be categorized as **profitability ratios, liquidity ratios**, **financial stability ratios** as well as **investor ratios**. Involvement of all financial ratios in this study would be very bulky and for that reason, only one or two ratios were selected under each category of financial ratios mentioned above. Profit is the ultimate aim of an organization and such an organization will not remain a going concern if it fails to make adequate profits to keep it operating as a going concern.

- $ROA\ \frac{Profit\ Before\ Intrest\ and\ Tax}{Total\ Assets}$
- $ROE = \frac{Profit\ after\ Intrest\ and\ Tax\ and\ Prferential\ Dividend}{Net\ worth\ (Equity)}$
- $Current\ ratio\ \frac{Current\ Assets}{Current\ Liabilities}$
- $Debt\ ratio = \frac{Total\ Debt}{Total\ Assets\ Taxatio}$

1.3 SIGNIFICANCE OF STUDY

This study is an attempt to evaluate the performance of selected equities listed on the stock exchange and to identify the best stock to invest in and the worst stock to be ignored. The study is based on the analysis of Equity stocks of selected companies. This study helps the investor in identifying the performance of selected Equity stocks for a given period. And also this study helps the companies to assess their performance and take various measures to improve the Market value of shares and financial results.

1.4 SCOPE OF THE STUDY

The scope of the study is confined to ten companies listed under stock exchanges. This study covers the average return, Standard deviation, Covariance, Compound annual growth rate ANOVA, of the selected companies' securities period for five years. I.e. from 2017 to 2019

1.5 OBJECTIVES OF THE STUDY

- To analysis the Market capitalization performance of selected companies
- To analysis the Earning per Share of selected companies
- To Analysis the selected financial ratio of Selected companies

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1.6 RESEARCH METHODOLOGY

In this paper, mainly secondary data is used. It is collected from sources such as internet websites of selected companies Balance sheet annual reports. Analysis of data is done with the help of Descriptive Statistics.

The below table shows the Summary of Research Design and Research Methodology

Type of study	Descriptive cum analytical research design
Sources of Data	Secondary sources
Data Collected from	Money Control Website, Journal, and other Companies report
Selection criteria of Companies	Based on leading companies in India
Number of Companies selected	The top 10 Companies are selected
Selected companies	TCS, Reliance, ONGC, Indian Oil, Infosys, ITC, NTPC, Power Grid Corporation of India, HUL, WIPRO
Period of Data collection	5 years
Statistical tools used	Mean and standard deviation Minimum, Maximum. ANOVA has been used for descriptive statistics.
Analysis of the data	The data analysis has done with the help of Microsoft Excel.

1.16 LIMITATIONS OF THE STUDY

- ♣ This study has mainly relied on secondary data.
- ♣ The study is restricted to five years only.
- ♣ The study is limited to only Ten selected Companies.
- ♣ The accuracy of the study is based on the accuracy of the data presented in the BSE
- ♣ Suggestions and conclusions are based on the limited data of five years.

DESCRIPTIVE STATISTICAL ANALYSIS RESULT

Mean	100.390	60.708	13.996	17.156	48.762	10.152	12.002	18.520	27.564	19.046
Standard Error	10.544	9.134	2.074	4.059	7.281	0.662	0.625	1.552	2.346	3.738
Median	88.640	53.080	13.950	20.160	42.370	10.190	11.880	19.000	27.890	16.260
Standard Deviation	23.577	20.423	4.637	9.076	16.280	1.481	1.398	3.470	5.246	8.358
Sample Variance	555.894	417.108	21.498	82.380	265.052	2.193	1.955	12.038	27.521	69.852
Range	51.810	48.480	11.920	22.350	37.620	3.900	3.770	8.440	13.100	20.940
Minimum	79.340	48.420	8.940	1.430	33.660	8.430	10.220	14.370	20.750	12.670
Maximum	131.150	96.900	20.860	23.780	71.280	12.330	13.990	22.810	33.850	33.610
Sum	501.950	303.540	69.980	85.780	243.810	50.760	60.010	92.600	137.820	95.230
Count	5.000	5.000	5.000	5.000	5.000	5.000	5.000	5.000	5.000	5.000

ANOVA RESULT

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	37831.81	9	4203.534	28.88051516	8.77	2.124029
Within Groups	5821.966	40	145.5491			
Total	43653.77	49				

(*Source: https://www.moneycontrol.com/)*

Interpretation:

The above chart No 1 depicts the result of Earning per Share of selected companies, among these TCS shows the highest average return on per share (100.390) which indicated the good performance of the company comparatively other and ITC Company shows the low average which is 10.152 which is lowest among the selected companies. NTPC Company Shows the highest consultancy but Earning per share is very low comparatively other selected companies,

In the above ANOVA, the analysis p-value indicates 8.77 which represents the insignificance in the variable. A p-value of 8.77 means that practically there is no effect, no association, no correlation between variables and the situation is so simply straight. It is evident from the F-statistics that the P-value is less than a 5% level of alpha. Hence, there is an insignificant difference among the selected financial Institution concerning this ratio.

Table No 3: Shows the Result of Return on Equity of selected companies

Return on Equity										
Year	**TCS**	**Reliance**	**ONGC**	**Indian Oil**	**Infosys**	**ITC**	**NTPC**	**PGCI**	**HUL**	**WIPRO**
Mean	37.423	9.048	8.088	14.920	23.988	22.508	10.095	16.038	60.963	19.163
Std v	5.849	1.787	1.967	7.809	2.130	0.690	0.965	0.932	26.065	1.824
Min	30.310	6.730	5.490	1.400	20.310	21.830	8.900	15.090	16.760	17.470
Max	44.720	10.890	10.310	19.760	25.440	23.630	11.570	17.150	83.890	22.230

(*Source: https://www.moneycontrol.com/)*

Interpretation:

The above chart No 1 depicts the result of Return on Equity of selected companies, among these HUL shows the highest average return on equity (60.963) which indicated the good performance of the company comparatively other but at the same time is showing the result of highest variation in the result of the return on equity. ONGC shows a very low return on equity (8.088)compared to other selected financial institutions. ITC Company Shows the highest consistency but the average return on equity is very low with a moderate return compared to others.

Table No 4: Shows the Result of Return on Cash earning of selected companies

Cash Earning Ratio										
Year	**TCS**	**Reliance**	**ONGC**	**Indian Oil**	**Infosys**	**ITC**	**NTPC**	**PGCI**	**HUL**	**WIPRO**
Mean	55.372	73.138	78.542	61.428	45.560	52.502	64.964	84.736	24.700	93.212
Std v	22.097	36.578	7.600	6.148	15.486	6.919	33.550	9.362	11.640	1.546
Min	11.310	0.000	68.370	52.180	15.540	39.140	0.000	71.160	1.730	90.480
Max	68.270	92.470	92.020	69.540	57.300	57.840	97.360	96.560	32.310	95.200

(*Source: https://www.moneycontrol.com/)*

Interpretation :

The above chart No 1 depicts the result of Return on Cash earning of selected companies, among these WIPRO shows the highest average return on Cash earning (93.212) with more consistency (1.546) which indicated the good performance of the company comparatively other and HUL Company shows the low average which is 24.700 which is lowest among the selected companies. Reliance Company Shows the highest variation(36.578) with a moderate return.

Table No 5: Shows the Result of Net Profit Ratio of selected companies

	Net Profit Ratio									
Year	TCS	Reliance	ONGC	Indian Oil	Infosys	ITC	NTPC	PGCI	HUL	WIPRO
Mean	100.952	60.700	14.072	21.288	49.354	10.134	12.044	18.520	27.604	19.364
Std V	21.068	18.142	4.274	12.428	15.366	1.328	1.318	3.103	4.683	7.366
Min	80.170	48.750	8.940	1.430	33.750	8.400	10.220	14.370	20.790	12.620
Max	132.150	96.660	21.240	40.310	73.970	12.310	14.200	22.810	33.850	33.580

(*Source: https://www.moneycontrol.com/)*

Interpretation :

The above chart No 1 depicts the result of Net Profit Ratio of selected companies, among these TCS shows the highest average return on Net Profit Ratio (100.952) with high variation (21.068) which indicated the low performance of the company comparatively other and ITC Company shows the low average which is 1.328 which is lowest among the selected companies. But ITC company consistently growing.

Table No 6: Shows the Result of Quick Ratio of selected companies

	Quick Ratio									
Year	TCS	Reliance	ONGC	Indian Oil	Infosys	ITC	NTPC	PGCI	HUL	WIPRO
Mean	4.328	0.540	0.610	0.272	3.290	3.316	0.714	0.570	1.006	2.910
Std v	1.232	0.167	0.327	0.047	0.524	0.439	0.095	0.197	0.042	0.329
Min	2.920	0.390	0.300	0.210	2.740	2.770	0.580	0.350	0.950	2.500
Max	6.390	0.860	1.230	0.350	4.050	4.020	0.820	0.870	1.070	3.500

(*Source: https://www.moneycontrol.com/)*

Interpretation :

The above chart No 6 depicts the result of Quick Ratio of selected companies, among these TCS shows the highest Quick ratio result which is (4.328) with more consistency (1.232) which indicated the good performance of the company comparatively other and Indian Oil Company shows the low average which is 0.272 which is lowest among the selected companies. TCS Company Shows the highest variation(1.232) with a good return.

Table No 6: Shows the Result of PBT/Share of selected companies

	PBT/Share									
Year	TCS	Reliance	ONGC	Indian Oil	Infosys	ITC	NTPC	PGCI	HUL	WIPRO
Mean	130.176	75.630	20.630	29.124	64.986	14.230	14.274	22.312	37.904	24.986
Std v	24.726	27.400	6.414	19.170	18.454	0.994	0.758	4.798	5.505	9.785
Min	108.550	42.220	13.040	-4.020	45.750	12.760	12.810	17.130	29.610	16.360
Max	167.180	125.430	31.760	55.540	91.150	15.590	14.970	28.720	44.640	43.970

(*Source: https://www.moneycontrol.com/)*

Interpretation:

The above chart No 7 depicts the result of PBT/Share of selected companies, among these TCS shows the highest **PBT/Share** result which is (130.176) with moderate consistency (24) which indicated the good performance of the company comparatively other and ONGC Company shows the low average of **PBT/Share** which is 20.630 which is lowest among the selected companies. NTPC Company Shows the highest variation(0.758) with a moderate return.

1.17 CONCLUSION AND RECOMMENDATION

It is said a country is developed when it has industrial development and its share in the country's national output is very significant. Without which anyone country in the world would become a developed country. Industrial development is necessary to develop the other sectors of an economy since they are mutually interrelated. While investing money in the company it is very important to analyze the performance of the company with the help of the various tools. Comparatively other investors equity investors bear the high risk the result shows that Market Cap, Earnings per Share, Return on Equity, Cash Earnings Ratio, Net Profit Ratio, Quick Ratio, PBT/Share. Through this study, it's found that a company which is earning more return comparatively other company showing less inconsistency in their performance. A company that is earning low those are performing consistently good. So it is recommended that the A company need to take some measures for maintaining consistency in their performance.

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