

Chapter- I
INTRODUCTION

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1.1 INTRODUCTION

An investment decision is a trade off between risk and return and investments in securities are revocable, investment ends are transient & investment environment is fluid, the reliable bases for reasoned expectations become more and more vague as one conceives of the distant future. Therefore, investors reappraise and reevaluate their investment commitments regularly due to the new information. All investment choices are made at points of time in accordance with the personal investment ends and in contemplation of an uncertain future (Bhalla, 2011). An investment is a commitment of funds made in the expectation of some positive rate of return. If the investment is properly undertaken, the return will be commensurate with the risk an investor assumes (Fischer and Jordan, 2008). Basically, time and risk are the two main aspects of investment. Time element is the dominant attribute in government bonds, while time and risk are important factors to affect in case of equity shares. The success of an investment depends on the fact that how wisely an investor invests. The benefit is expected in the future and tends to be uncertain. Investor should avoid the errors like over-diversification, under-diversification, wrong attitude toward losses/profits and inadequate comprehension of return & risk for the most decisive, flexible and open investment decision in the long run (Chandra, 2014). There is an association between the development of stock market and economic growth of a country. Results of several studies advise a positive relationship between several indicators of the stock market performance and economic growth directly or indirectly.

Generally, Investors are interested in selling a security for more than they paid for it and this return must be estimated for each security. Complete process of estimating return & risk for individual securities is known as security analysis. Traditionally, analysts have attempted to identify undervalued securities to buy & overvalued securities to sell, whereas modern day thinking is strongly influenced by the efficient markets hypothesis. Infact, the efficient-markets hypothesis sees only indirect benefits emanating from the analyst's risk-return calculations (Fischer and Jordan, 2008).

1.2 STOCK MARKETS AND FINANCIAL DEVELOPMENT IN INDIA

The role of stock markets as a source of growth of economy has been debated several times. It is proved that stock markets affect economic activity by creating the liquidity. Many profitable investments require a long-term commitment of capital. Stock market has become strong over the years in India. The number of stock exchanges and companies have also increased with the passage of time. Various measures were taken under consideration for reforming the stock market along with development, which continuously helped in improving the overall functioning of the stock market significantly.

The Indian capital market has experienced structural transformation over the years and it can be compared with the markets of developed nations. The regulatory structure has been overhauled with the powers for the proper functioning of the capital market having been vested with SEBI. Exchanges in India, offer screen based system of trading. Market capitalization has grown which indicates that more companies are using the platform of trading of the stock exchange with the passage of time. Market capitalization ratio can be measured as market capitalization of the stocks divided by GDP. It is basically used as a measure to identify the significance of equity markets relative to the GDP. It is of economic significance because markets are

positively correlated with a feature to mobilize capital and diversity risk (Bhalla, 2011).

1.3 FINANCIAL MARKETS

Financial market is a place for creation and exchange of financial assets. Investors participate in the financial market by buying or selling financial assets. These markets play crucial role in the distribution of resources in economy by facilitating price discovering, providing liquidity to financial assets and also help in reducing the cost of transaction. Globalization of financial markets is determined by liberalization of financial markets in different parts of the world, technological advances in computing, communication & market structures and growing institutionalization of financial markets. All these factors are interrelated (Chandra, 2014).

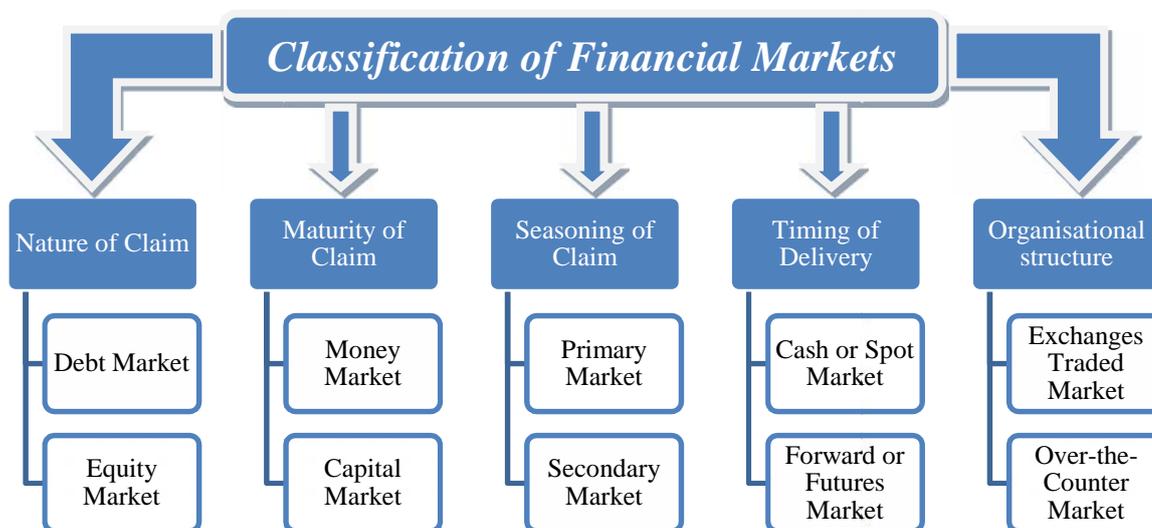


Figure: 1.1- Classification of Financial Markets (Chandra, 2014)

1.3.1 Primary Equity Market

Primary equity market is also known as new issues market. A series of initiatives taken by SEBI, along with creating more conducive environment that emerged in the wake of economic reforms. In 1992, the Control of Capital Issues Act was abolished and SEBI was entrusted with the responsibility of regulating the

primary market (Chandra, 2014). Securities available for the first time are offered through the primary securities markets. The issuer may be a brand-new company or one that has been in business for few years. The securities offered may be new for the issuer or additional amounts of a security used frequently in the past. After purchases in the primary markets, securities are traded subsequently in the secondary markets (Fischer and Jordan, 2008).

1.3.2 Secondary Equity Market

Central government introduced a legislation called the Securities Contracts (Regulation) Act, 1956 to promote an orderly development of the stock market. As on April 1, 2012, there were 24 stock exchanges in India, including a few that have been derecognized. Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) account for almost 100 percent of the total turnover on the Indian stock market presently due to the important factors like inception of automated trading and the nation-wide reach of NSE and BSE (Chandra, 2014).

Once new issues have been purchased by investors, they change hands in the secondary markets. There are actually two broad segments of the secondary markets: the organized exchange and the over-the-counter (OTC) market. The primary middlemen in the secondary markets are brokers and dealers. The distinction between the two is important. The technical difference rests upon whether the person acts as an agent (broker) or as a principal (dealer) in a transaction. Organized exchanges are physical marketplaces where the agents of buyers and sellers operate through the auction process (Fischer and Jordan, 2008).

1.4 THE BOMBAY STOCK EXCHANGE

Bombay Stock Exchange (BSE) is one of the oldest organized exchanges in the world which has established in 1875. It is under the control of a Governing Body consisting of 19 directors. Among them, one is executive director, another one is a

RBI nominee, nine are elected by brokers and the balance five are public representatives. It has more than 700 members and most of them are individual members. At present, corporate members are being admitted (Gordon and Natarajan, 2012). Its distinctive features are as follows:

- The BSE switched from an open outcry system to a screen-based system in 1995 which is called BOLT (BSE On Line Trading). It accelerated its computerization programme in response to the threat from the NSE.
- To begin with, BOLT was a 'quote-driven' as well as an 'order-driven' system, with jobbers (specialists) feeding two-way quotes and brokers feeding buy or sell order. This hybrid system reflected the historical practice of BSE where jobbers played an important role (Chandra, 2014).

1.4.1 Stock Market Indices in India

A number of stock market indices are constructed in India: Sensex, S&PCNX Nifty Index, RBI Share Price Index, BSE-100 Natex, BSE-500, BSE Dollex, S&PCNX Nifty Junior, and so on. Out of these, the most popular indices are Sensex and S&P CNX Nifty.

1.4.2 SENSEX: The Barometer of Indian Capital Markets

Most widely followed stock market index in India, the Bombay Stock Exchange Sensitive Index, popularly called the Sensex, reflects the movement of 30 sensitive shares from specified and non-specified groups. BSE considers factors such as listing history, trading frequency, market capitalization, and industry importance for including a stock in the Sensex. The composition of the stocks in the Sensex is reviewed and modified by BSE to ensure that Sensex remains representative of stock market conditions. Sensex is a value-weighted index. (Chandra, 2014).

1.5 RECENT DEVELOPMENTS

Many steps have been taken in recent years to reform the secondary market so that it may function efficiently and effectively. Steps are also being taken to broaden the market and make it function with greater degree of transparency & in the best interest of investors. Some of the developments in this direction are: regulation of intermediaries, change in the management structure, insistence of quality securities, prohibition of insider trading, strict supervision of stock market operations, prevention of price rigging, discouragement of price manipulations, protection of investors' interest and setting up of National Market System (NMS) etc (Gordon and Natarajan, 2012).

1.6 SECURITY ANALYSIS

Decisions of investment are usually made in two steps. Estimates are prepared of the return & risk associated with the securities in the first step which is also known as security analysis. Return-risk estimates should be analysed in order to finalize the allocation of the available funds among the securities for a continuing basis as a second step and this step consists of portfolio analysis, selection and management. Security analysis produces important inputs for the analysis and selection of portfolios. There are two main approaches of security analysis which are known as fundamental analysis and technical analysis.

Security analysis is built around the idea that investors are concerned with two principal properties inherent in securities: the return that can be expected from holding a security, and the risk that the return which is achieved will be less than the return that was expected. Traditional investment analysis, when applied to securities, emphasizes the projection of prices and dividends. That is the potential price of a firm's common stock and the future dividend stream are forecasted and then discounted back to the present. This intrinsic value then compared with the security's current market price. If the current market price is below the intrinsic value, a

purchase is recommended. Conversely, if the current market price is above this intrinsic value, a sale is recommended. Although, modern security analysis is deeply rooted in the fundamental concepts, the emphasis has shifted. The more modern approach to common-stock analysis emphasizes risk-and-return estimates rather than mere price and dividend estimates. The return-and-risk estimates, of course, are dependent on the share price and the accompanying dividend stream. Any forecast of securities must necessarily consider the prospects of the economy. Among industries the impact of the economy will differ, and thus it is incumbent on the analyst to be thoroughly informed about any industry peculiarities. Even within industries the outlook for specific firms will differ. A company's outlook will be related to such things as product line, production efficiency, marketing force, finances, and management capability (Fischer and Jordan, 2008).

1.6.1 Fundamental Analysis

Fundamental analysis is a logical and systematic approach to determine the future dividends and share price. This is basically a detailed analysis of the fundamental factors affecting the performance of firms. The purpose of fundamental analysis is to examine the present and future earning capacity of a share. An investor can compare the intrinsic value of the share with the prevailing market price to arrive at investment decision. This analysis insists that investor should not buy or sell stocks on the basis of tips and rumour. This approach calls upon the investor to make buy/sell decision on the basis of detailed analysis of the information about the company, industry to which the company belongs and the overall economy. A commonly advocated procedure of fundamental analysis is sometimes referred to as a "top-down" method of analysis and involves a three-step examination, which calls for:

- Understanding the macro-economic environment and developments
- Analyzing the prospects of the industry to which to firm belongs

- Assessing the projected performance of the company and the intrinsic value of its shares (Chandra, 2014).

1.6.1.1 Economy Analysis

Investment in fixed-income and ownership securities is intimately associated with the economic activity of the nation. An investment in the equity of any company is likely to be more profitable if the economy is strong and prosperous; hence, the expectation of the growth of the economy becomes favourable for the stock market. There are various macroeconomic indicators which affect the stock prices and this macroeconomic environment is the part of economic environment in which all firms operate. The key variables commonly used to describe the state of the macroeconomy are; growth rate of gross domestic product, industrial growth rate, agriculture and monsoons and saving & investments etc (Bhalla, 2011).

1.6.1.2 Industry Analysis

The industries that contribute to the output of the major segments of the economy vary in their growth rate and in their overall contribution to economic activity. An investor must analyse the economic significance of industries and advice to invest in those industries that offer continued success, measured by the industry's ability to compete for its appropriate share of the GNP. On the other hand, investment success is more likely to be found in growing and strongly competitive industries (Bhalla, 2011). As a matter of principle, the investor should select industries that are in the expansion stage of the growth cycle and should concentrate on these areas. Investors should invest in those industries that have developed a strong competitive position, and under little threat of obsolescence.

1.6.1.3 Company Analysis

The specific market and economic environment may enhance the performance of a company for a period of time; it is ultimately the firm's own capabilities that will judge its performance over a long period of time. For this reason the firms in the same

industry are compared to one another to ascertain the best performer, i.e. which firm earns the most and outperforms its competitors. To analyse a company, ratio analysis is the most frequently used tool. Ratios are popular because they are easily understood. To get a handle over intrinsic value, the analyst must forecast future performance and translate the same into a value estimate. As a prelude to this, an analyst must understand the strategy of the firm, evaluate the quality of the firm's accounting data, analyse the past performance of the firm, and assess non-financial dimensions. Analysis of the performance of companies is also possible with the methods like measuring earnings, financial Statements, equity valuation and financial statement analysis (Chandra, 2014).

1.6.2 Technical Analysis: The Visual Clue

Technical analysis is frequently used as a supplement to fundamental analysis rather than as a substitute for it. Thus, technical analysis can, and frequently does, confirm findings based on fundamental analysis. As an approach to investment analysis, technical analysis is radically different from fundamental analysis. Fundamental analyst believes that the market is 90 percent logical and 10 percent psychological, whereas the technical analyst assumes that it is 90 percent psychological and 10 percent logical. Technical analysts don't evaluate a large number of fundamental factors relating to the company, the industry, and the economy. Instead, they analyse internal market data with the help of charts and graphs. Subscribing to the 'castles-in-the-air' approach, they view the investment game as an exercise in anticipating the behavior of market participants. They look at charts to understand what the market participants have been doing and believe that this provides a basis for predicting future behaviour. Technical analysis involves a study of market generated data like prices and volumes to determine the future direction of price movement. There are various indicators/ oscillators which are used

to find the direction of market. For example; moving average convergence & divergence is useful for rising/ down price trend, relative strength analysis assists in identifying the inherent technical strength/weakness in a particular stock (Bhalla, 2011).

1.7 BRIEF PROFILE OF INDUSTRIES OF THE STUDY

Industry analysis is required as risk and return level of industries differ. Risk factors associated to one industry are somehow different to other industry and hence, this study compared the performance of five major industries of Indian economy and brief profile of these industries is as follows:

1.7.1 Brief Profile of Automobile Industry

Auto industry of India is one of the largest industry with an annual manufacturing of 21.48 million vehicles in the world in FY 2013-14 and this industry accounts for 22 % of India's manufacturing GDP. Passenger vehicle segment has 14 % market share as a whole. India is also proved as competent auto exporter and have an extraordinary growth expectations for the future. With the help of a variety of initiatives taken by the Government of India & the major automobile companies in the market of India, this industry is expected to build India a global leader in the segment of two wheeler & four wheeler market by 2020. According to the Society of Indian Automobile Manufacturers, Sales of commercial vehicles in India grew 5.3 % in January 2015 from previous year. According to the data released by Department of Industrial Policy and Promotion, Automobile industry has attracted FDI of worth US\$ 12,232.06 million during April 2000 to February 2015.

Some of the major investments in Indian automobile industry at world level are; Mahindra Two Wheelers Limited has gained 51% shares in France-based Peugeot Motocycles; Tata Motors Ltd, India's largest automobile maker, announced to sell trucks in Vietnam, Malaysia & Australia to build up its existence in Asia-Pacific

region. The Government of India promotes 100 % FDI under this industry. Excise duty on scooters, motorcycles, small cars and commercial vehicles was reduced recently to 8 % from 12 % to enhance the 'Make in India' program of the Indian government.

Government of India has also taken several initiative related to automobile industry under the Union budget of 2015-16. Government has declared to give credit of Rs 850,000 to farmers. Government has also planned to promote eco-friendly cars in India i.e. CNG based vehicle, hybrid vehicle, and also made compulsory of 5 % ethanol blending in petrol. Automobile mission plan for 2006–2016 of government is focused of India is meant at accelerating and supporting growth in automobile industry.

1.7.2 Brief Profile of Information Technology Industry

India is the biggest sourcing destination for information technology industry of the world. This industry has generated employment opportunities for so many Indians and supported the whole economy. IT industry has transformed the image of the country on the global platform and energized the higher education sector, engineering and computer science. Unique selling proposition of Indian IT industry is the cost competitiveness; this industry provides services cheaper than US. IT- business process management sector has gained CAGR of 25 % during 2000-2013.

Nasscom & Zinnov Management Consulting Private Limited has reported that India is set to augment its base upto 11,500 technology start-ups by 2020 which is 3,000 tech start-ups now. According to the report of Boston Consulting Group with Internet & Mobile Association of India, India's internet economy is anticipated to touch the figure of Rs 10 trillion by the year 2018. India's internet client base reached to 300 million, however the social media users and smartphones grew up to 100 million in December 2014. The expanded internet market and growth of e-commerce

are the major causes for continued expansion of hosting markets in India. As per the data of Department of Industrial Policy & Promotion (DIPP), foreign direct investment (FDI) inflows of worth USD 13,788.56 million from April 2000 to December 2014 is attracted by software and hardware sector in India. According to the McKinsey, technologies encouraged by the 'Digital India Initiative' could help India's gross domestic product by USD 550 billion to USD 1 trillion by 2025. In 2014, Bengaluru received USD 2.6 billion in venture capital investments and it became the fifth largest recipient globally during the year. An entire new range of opportunities for IT firms are available in India because of USD12 billion plus growing e-commerce business market in India which is witnessing a high growth aspect of this industry.

1.7.3 Brief Profile of Oil and Gas Industry

This industry is most important for strategic operations and plays an essential role in influencing judgments across important spheres of the economy. New exploration licensing policy was planned to deal with growing gap between the demand & supply of gas in India in 1997–98. This industry is a fertile ground to invest as the requirement for oil and gas is projected to grow further. Due to the growing demand of gas, the government of India has started numerous policies such as 100 % FDI in many segments like natural gas, refineries and petroleum products. Now, this industry has become a better prospect to invest because of the involvement of the government and attracts domestic and foreign investment.

As per the government of India reports, gas utilization is likely to expand with a CAGR of 21% during FY 2008–2017. Indian Oil Corporation Limited (IOCL) works for 11,214 km network of gas, crude & product pipelines and its capacity is 1.6 MBPD of oil & 10 million metric standard cubic metre / day of gas which is

approximately 30 % of India's total pipeline network. IOCL is the biggest company which is operating 10 out of 22 refineries of India.

There are so many initiatives taken by government related to Oil and Gas Industry of India such as India & Norway have discussed and declared bilateral relationship in the area of oil and natural gas. On November 11, 2014, PAHAL which is a Direct Benefit Transfer for LPG users scheme launched in fifty four districts and expanded to the other part of the country on January 1, 2015. An online service was launched as 24 x 7 LPG service via web. It was launched to offer LPG users an integrated solution to perform all services at one place with the help of MyLPG.in, from their home.

1.7.4 Brief Profile of Healthcare Industry

Healthcare is the most prominent industry of India. This industry is largest in terms of revenue & employment and this industry comprises medical devices, clinical trials, hospitals, outsourcing, telemedicine, health insurance, medical tourism and medical equipment. Healthcare industry of India is growing at a marvelous velocity. Healthcare delivery system in India is divided into two major parts i.e. public & private. Public healthcare system includes limited secondary & tertiary care institutions in key cities and provides basic healthcare services as primary healthcare centers in the rural areas of the country. On the other side, private sector provides majority of services in big cities. There is noteworthy scope for further extending healthcare services because healthcare spending as a percentage of GDP is increasing with a rapid growth. Rural India is a potential source of demand, this rural India covers 70 % of Indian population but very limited facilities are available in rural areas of India. According to the department of Industrial Policy & Promotion, FDI of US\$ 2,793.72 million is attracted for this industry during April 2000 to January 2015.

Some other initiatives were also taken by Government of India like the Competition Commission of India (CCI) approved the proposed merger between Sun Pharma and Ranbaxy. India and Sweden accepted for five years of memorandum of understanding. This cooperation in healthcare industry of these two nations will assist in filling space in research & innovative technology to support quality healthcare services. Telemedicine is an emerging sector in India. According to the government reports, the telemedicine market of India was valued at US\$ 7.5 million in 2012 and is expected to raise at a CAGR of 20 % to US\$ 18.7 million by 2017. There is a huge scope for investment in healthcare infrastructure in urban & rural India.

1.7.5 Brief Profile of Metal, Metal Product & Mining Industry

With the help of a production of 565.6 million tonnes (MT) in the FY14, India is proved as a third-largest coal producer. As per the estimations of the experts, India is expected to turn into the second-largest steel producer by the year 2015. The metal and mining industry has achieved a strong 19.8 % growth in 2011 in India and is expected to arrive at 305.5 billion by the year 2015. CAGR of 5.2 % was recorded during the period 2007-2011 which give the indication that production volumes of the industry have also been increasing progressively over the years. The export of iron and steel has increased at a CAGR of 4.2% over FY 2008-13. 100 % FDI in the mining sector under the automatic route is allowed by Government of India and mining lease has been approved for duration of minimum 20 years & up to a maximum of 30 years.

1.8 BRIEF PROFILE OF COMPANIES OF THE STUDY

An investor would always try to select the best company among the group of companies under any specific industry. This study consists of ten companies under five industries for comparative analysis based on their financial performance. The brief profile of these companies is as follows:

1.8.1 Brief Profile of Mahindra & Mahindra Ltd.

Mahindra & Mahindra is a multinational automobile manufacturing corporation and its headquarter is located in Mumbai (Maharashtra) India. This company has manufactured highest tractors across the world. The brand trust report has ranked this as the 10th most trusted brand in India and gained 21st rank in 2011 by Fortune India 500 in the list of top companies of India. Mahindra & Mahindra is started in Mumbai as a steel trading company in the year 1945. The company was started by two brothers K.C. Mahindra and J.C. Mahindra joined forces with M. G. Mohammed.

In the beginning years, company started as the manufacturer & seller of Multi-utility vehicles and commenced manufacturing light commercial vehicles and tractors for agricultural later. Since its inception, it has been associated internationally with many business partners and has a workforce of different countries. Mahindra & Mahindra Limited brought numerous opportunities to its customers across the world.

Mahindra & Mahindra Limited entered in the two-wheeler industry few years back and also acquired SsangYong Motor company of South Korea in 2011. Mahindra manufacturers a wide range of vehicles including three wheelers. It had a joint venture with Ford and also involved in passenger cars manufacturing. The company also launched, Maxximo on 29 June 2012, CNG version mini truck. Mahindra & Mahindra Limited has also launched new version of Verito in diesel and petrol options on 26 July 2012. M&M was rated as India's second Most Reputed Car Company by Bluebytes News through their study titled Reputation Benchmark Study which was carried out for the Auto Sector in 2012.

1.8.2 Brief Profile of Tata Motors Ltd.

TATA Motors was founded in 1945 and it manufactured its first commercial vehicle with the collaboration with Daimler-Benz AG in 1969. TATA SIERRA was the first brand with which TATA Motors entered in the market of passenger vehicle

market. Tata Motors' existence cuts across length and breadth of whole India. The company's manufacturing base is spread across Jamshedpur, Pune, Lucknow, Pantnagar, Sanand and Dharwad in India. Following a strategic alliance with Fiat in 2005, Tata Motors established joint venture with Fiat Group Automobiles at Ranjangaon in 2005 to manufacture both Fiat and Tata cars.

Tata Motors Ltd. is the biggest automobile company of India and achieved revenues of INR 2,32,834 crores (USD 38.9 billion) in 2013-14. This company is proved as a leader in commercial vehicles. The company is listed in New York Stock Exchange in September 2004 and appeared as an international automobile company. Tata Motors has operations in different countries such as UK, Thailand, South Korea, South Africa and Indonesia with the help of its subsidiaries and associate companies. Tata Motors acquired Daewoo Commercial Vehicles Company in 2004 which is the second largest truck maker of South Korea. Tata Daewoo is one of the largest commercial vehicle companies of South Korea and around two - third of heavy commercial vehicle exports out of South Korea are of Tata Daewoo.

Tata Motors formed joint venture with, Marcopolo, the Brazil-based company and a global leader in body-building for buses & coaches to produce fully-built buses & coaches for India and the plant is situated in Dharwad. Tata Motors has its joint venture operations in Bangladesh, Senegal and Ukraine. Tata Motors has also established R&D centres in various places Pune, Lucknow, Jamshedpur, Dharwad in India, and Italy, Spain, South Korea & UK in the foreign countries.

1.8.3 Brief Profile of Infosys Ltd.

Infosys has started its operations with just US \$ 250 in 1981 with a team of only seven engineers under the leadership of Mr. N. R. Narayana and presently, Infosys has more than 176,00 employees with 85 sales and marketing offices as at March 31, 2015. Infosys became the first Indian company to be listed on the

NASDAQ in 1999 and forms a part of the NASDAQ-100 index. National and international reputed organizations have given more than ten awards in 2010 for its superior business performance in various dimensions. Now, Infosys is a global company having clients in more than 50 countries and deals in consulting, technology and outsourcing and has incurred revenue of US \$ 8.7 billion in the financial year of 2015. Infosys support other companies in transforming and thriving in the fast changing world through its consultation and operational leadership which creates new avenues for the companies to generate values.

‘Asian Most Admired Knowledge Enterprises’ (MAKE) award was achieved by Infosys in 2014 and became the first Indian company to achieve this award 12 times. Infosys believes in delivering innovative services and value to its stakeholders. Some other very important awards were also received by Wipro in 2014 such as ‘leading green energy award’ and ‘gold award’ for sustainable buildings. Infosys has started shifting operations to the United States and other important countries few years back.

1.8.4 Brief Profile of Wipro Ltd.

Wipro Ltd was incorporated in Mumbai on 29 December 1945, by visionary leader Mohamed Premji as 'Western India Vegetable Products Ltd.' which was later abbreviated to 'Wipro'. Azim Premji took over as chairman of Wipro in 1966 and the year 1980 marked the appearance of Wipro in the domain of IT and the name was changed from Wipro Products Ltd. to Wipro Ltd. in 1982. Wipro formed as a first software technology & services company in India in 2002 to be certified for most reputed ISO 14001 certification and also achieved ISO 9000 certification to become the first software company to get SEI CMM Level 5 in 2002. Wipro Ltd incurred revenues of \$7.5 billion for financial year ended on March 31, 2015. Wipro Ltd has a technology expertise and delivers business capabilities to its clients through

consulting /outsourcing. This is the reason that Wipro Ltd is globally recognized for its pioneering approach towards its commitment to sustainability. Hence, Wipro Ltd is a trusted partner of choice for different businesses. This company is a true co-innovator to different new / old businesses in their journey of transformation. It can be understood easily with the series of innumerable corporate awards achieved by Wipro till date and makes it most distinguished firms in the IT sector. All awards achieved by Wipro express its innovative strategy as a service provider company which is leading to the generation of new services, products and applications. Strategic Partnerships are one of the core pillars of business objectives that help customers in doing business better at Wipro and this company has a 360 degree relationship with their alliance partners. Wipro's largest deal took place in 2014 with Canadian Team headed by Rishad Premji with ATCO which is Canadian Energy & Utilities provider and it was \$1.2 billion which is considered as one of the largest deals in the IT industry.

1.8.5 Brief Profile of GAIL (India) Ltd.

GAIL (India) Ltd was incorporated as a Central Public Sector Undertaking in August 1984 under the Ministry of Petroleum & Natural Gas (MoP&NG). Initially, Hazira – Vijaypur – Jagdishpur (HVJ) pipeline project was given to GAIL which was 1800 Km, largest natural gas pipeline projects in the whole world. Gail has expanded its large network of natural gas pipeline of more than 10900 km and it was developed with the capacity of more than 200 MMSCMD.

GAIL is also a co-promoter with equity stake in OPaL (ONGC Petro-additions Limited) GAIL commissioned for 5 MMTPA Dabhol LNG terminal in 2013 which will continue its commercial operator for 25 years. It incorporated a wholly owned subsidiary in 2008 i.e. GAIL gas Ltd. (GGL) to focus on the business of city gas distribution.

1.8.6 Brief Profile of Oil and Natural Gas Corporation Ltd.

Mr. K D Malviya, the then Minister, Natural Resources, analysed the oil industries of several countries through his noticeable visits to help the training to the Indian professionals for exploring prospective oil and gas reserves. However, Some foreign experts from USA, Romania, West Germany & erstwhile USSR also visited India and helped the Indian government with their expertise of oil and gas and as a result, finally, the Soviet experts sketched up a comprehensive plan for geological & geophysical surveys and drilling procedures to be passed out in the 2nd Five Year Plan i.e. 1956-57 to 1960-61. The liberalized economic policy, approved by the Government of India in July 1991, sought to delicense the core sectors of India including petroleum sector with partial disinvestments of government equity in PSU (Public Sector Undertakings). As a result, ONGC was re-organized as a limited Company in February 1994 under the Company's Act, 1956.

ONGC was Ranked 217th in the Newsweek Green Rankings as the World's Greenest Companies 2014 and it was on 386 in 2012. Hence, ONGC is getting better ranking continuously. It also gained the rank of Top Energy Company in India and 5th in Asia. In the year 2013, ONGC has achieved the award of 'Best Employer' & 'Voice of Employee' at the Aon Hewitt Best Employers-India.

1.8.7 Brief Profile of Dr. Reddy's Laboratories Ltd.

Dr. Reddy's Laboratories Ltd., is a pharmaceutical company which is a multinational and located in Hyderabad, Telangana, India. Dr. Reddy's Laboratories Ltd was started by Anji Reddy, who also worked in the Indian Drugs and Pharmaceuticals Limited, Hyderabad, India. Dr. Reddy's is in the business of manufacturing and marketing an extensive range of pharmaceuticals globally. This company is globally present and its first international move was in Russia in 1992 and Dr. Reddy's formed a joint venture with Biomed, biggest pharmaceutical company of

Russia. Reddy's sold the joint venture to another group i.e. Kremlin-friendly Sistema group due to some scandal. Once again, Dr. Reddy's formed a joint venture and formed two units in Russia. Reddy's targeted the US generic market by making state of art developing facility in 1994. R & D was the main area of Reddy's where it invested enormously and established important R & D overseas.

Dr. Reddy's has created Dr. Reddy's Research Foundation in 1992 for discovering new drug. They have also focused towards hiring of new scientists, especially Indian students with the doctoral or post doctoral degree of abroad. Strong manufacturing base was the reason of success in the international market for Dr. Reddy's. The strategic perspective was so visionary of Dr. Reddy's and merged with Cheminor Drug Limited (CDL) to supply active pharmaceutical constituents to the demanding markets of Europe and North America.

1.8.8 Brief Profile of Sun Pharmaceutical Industries Ltd.

Sun Pharmaceutical Industries Limited is headquartered in Vadodara, Gujarat and it is a pharmaceutical company with a global presence and deals in manufacturing and selling of pharmaceutical formulations and also active pharmaceutical ingredients mainly in India and the United States. The company offers various formulations in cardiology, neurology, psychiatry, gastroenterology and diabetology. The company was established by Mr. Dilip Shanghvi in the year 1983 with only five products for the treatment of psychiatry ailments. Gastroenterology and Cardiology products were introduced in 1989 and 1987 respectively and Sun Pharma is a leader toady in Gastroenterology, Cardiology, Orthopedics etc. The company declared an R&D joint venture in 2013 for ophthalmology with Intrexon, which is a research company. Sun Pharmaceutical acquired Ranbaxy to form world's fifth major specialty generic pharma company in a USD 4 Billion landmark transaction. This strategic step developed Sun Pharmaceutical as the largest pharmaceutical company of India.

Sun Pharma has a good quality standard and to maintain standards of quality, every plant of Sun Pharma has fit defined procedures & systems to fulfill the necessities of Current Good Manufacturing Practices. Sun Pharma is scheduled among World's 100 Most Innovative Companies (Forbes) of 2014. Mr. Dilip Shanghvi, Managing Director of Sun Pharma received JRD TATA Corporate Leadership Award by All India Management Association in 2014. Sun Pharma has ensured high class quality in design and operations in all manufacturing services across the world. This company has 45 active pharmaceutical ingredients & finished dose and these units are located in India, US, Hungary, Israel, Brazil, Canada, Ireland, Bangladesh, Mexico, Romania, Morocco, South Africa, Nigeria and Malaysia. These units ensure to provide high standard products to the patients across worldwide.

1.8.9 Brief Profile of Hindalco Industries Ltd.

Hindalco Industries Ltd. is the metals flagship company and took dominant position amongst all the aluminium producers of India. Hindalco has a global presence in 11 countries outside India. This company was established in 1958 and commissioned its aluminium capacity at Renukoot in Uttar Pradesh in the year 1962. Its three foil rolling plants i.e. Mouda, Silvassa and Kollur) give Hindalco a main presence amongst the aluminium foil producers in India. Hindalco Industries Limited is a company of Aditya Birla Group and this group operates in 36 countries around the world. Global 'Top Companies for Leaders' survey ranked the group as number four, while group achieved first rank in Asia Pacific for 2011. In 2013-14, the Group has topped the most prestigious Nielsen's Corporate Image Monitor and come out as the first corporate and declared as the 'Best in Class' again for the 2nd consecutive year. The objective of Hindalco is to use optimally in the aluminium value chain with the balance between higher margin products and the comparative low margin

downstream portfolio. Its vertical expansion towards the business of copper, thrust towards R & D and advance way of handling of logistics has given a prime position to the operations of the company and it increased the focus towards the foreign trade. Hindalco also got good rank in the most cost-efficient manufacturers worldwide. With a pan-India availability which encompasses the full range of operations, this company get the benefit of a leadership position in aluminium and downstream other value-added products within India.

1.8.10 Brief Profile of Tata Steel Ltd.

Tata Steel has enhanced the splendid legacy under the leadership of its founder J.N. Tata and equally emphasized on the creation of stakeholder value. It is a multinational company of India and a subsidiary of Tata Group which deals in steel. Tata Steel is the second major private-sector steel firm in India with 9.7 million tonnes annual capacity after Steel Authority of India Limited. TATA Steel has operations in 26 countries including Australia, India, the Netherlands, China, Singapore, United Kingdom and Thailand with the commercial presence in more than 50 countries and employees from different continents. This company was established in 1907 and at that time it was the first integrated private sector steel company of Asia. Tata Steel Group is one of the top-ten global steel companies with its yearly crude steel capacity of approximately 30 million tonnes per annum.

In 1907, Tata Steel established first industrial city of India to Jamshedpur and founded first integrated steel plant of India. Corus was acquired by Tata Steel in 2007. Corus was the UK- based steel making company and this acquisition became the major acquisition by an Indian company in 2013. Brand Finance has marked Tata Steel as the seventh most valuable Indian brand. Tata Steel has emphasized on innovations of the products with the strategy of differentiated products in Europe. This company has redesigned marketing efforts to target potential customer of

different segments. Branding strategy in China has significantly grown and helped in finding increasing market acceptance of products.

1.9 RATIONALE OF THE STUDY

Price movements of stocks are analysed very carefully by various global players in the current scenario due to the irregular nature of the stock markets. Price of stocks changes with the updations of information which make price away from intrinsic value. Movement of the indices of stock market is sensitive to the changes of the fundamentals of an economy, firm's competitiveness, profitability & potential of industry. In this direction, fundamental and technical analyses are important to sort out the real worth of a security by considering true changes and hence, these appraisal techniques have been employed in this study to evaluate the price behaviour of selected Sensex stocks and assist in determining the profitable opportunities. The need of the hour is to consider the affect of macroeconomic indicators on stock market in India because macroeconomic indicators are the main determinants of the growth of an economy and stock market. This is the reason, current study explores an understanding for this purpose and becomes pertinent for policy makers, stakeholders & investors. As volatility of price in stock market may be found due to number of reasons which generates an atmosphere of uncertainty for a proper return and negatively affects investment of investors because of this inherent feature of stock market, this study investigates the nature of volatility of the most prominent stock index, viz., BSE Sensex which is an older and known as the bellwether of the Indian stock market.

Generally, investors find themselves in a fix while deciding to invest in the presence of various listed companies under different industries. Various companies are similar in different dimensions, but still these companies have dissimilar profitability, performance, position in the market and investors' perspective. Hence, a sound comparison based on financial performance parameters of industries/

companies is performed in this study and market trend of these companies is also examined by giving the buy/ sell signal for the companies' stocks. Therefore, this study is different because of its comprehensiveness. Previous studies were not extensive in nature and based on the small sample with less number of variables and analyzed the performance of companies/ industries without comparing the performance, while current study expand the basis of earlier studies because it considers large sample and large period for investigation and tried to fill the gaps for determining the price behaviour of Sensex stocks with investors' perspectives too. No comprehensive study has been conducted to measure the price behaviour of Sensex stocks in the last decade on the basis of fundamental and technical analyses. The lack of comprehensive studies in India inspired to study the current topic. Therefore, this study identifies most relevant indicator of macroeconomic environment, examines the strength of the industries & companies based on their comparative financial performance and checks the nature of volatility of Indian stock market to determine the risk-factors. This study also finds the market trend and identifies the most important factors influencing the investment decision with the differentiation of the investors' group for getting the clear picture of the investors.

1.10 OBJECTIVES OF THE STUDY

Objectives of the current study are as follows:

1. To analyse the Indian macroeconomic environment and the impact of macroeconomic variables on Indian stock market.
2. To examine the nature of volatility in the Indian stock market and the relationship of stock returns with volatility.
3. To investigate the performance of selected industries & companies and identify the specific performance variables which cause divergence in industrial & company stock returns.

4. To find out the market trends shown by selected Sensex stocks to forecast the price movements.
5. To examine the most important factors influencing the investment decision and differentiate the group of investors based on their characteristics.

1.11 CHAPTER SCHEME

The research work has been organized into following chapters:

Chapter- I: **Introduction-** *This chapter consists the framework of investment, financial market, elements of stock markets and fundamental & technical analyses. It also deals with rationale of the study and objectives of the study.*

Chapter- II: **Review of Literature-** *This chapter presents detailed review of literature based on previous studies focusing on macroeconomic indicators, extent of volatility, relationship of stock returns with financial performance, analysis of market trend and investors' perspectives towards stock market. It also deals with the gap of previous studies to explore the current study.*

Chapter- III: **Research Methodology-** *This chapter discusses the methodology applied to investigate the objectives of the study. It mainly reports the hypotheses, data used, sample design and explains the brief description of the tools and techniques used in the study.*

Chapter- IV: **Economic Analysis and Sensitivity of Stock Market-** *This chapter consists the analysis of the performance of macroeconomic indicators of India and the impact of macroeconomic indicators on*

stock price. It also shows the examination of the nature of volatility in Indian stock market and the relationship of stock returns with volatility.

Chapter- V: **Industry Analysis: Performance Evaluation & Cause of Divergence in Stock Returns-** *This chapter is devoted to evaluate the comparative financial performance of industries to identify best industry for investment. Impact of financial performance on industrial stock returns is also mentioned in this chapter.*

Chapter- VI: **Company and Technical Analyses-** *This chapter is framed to analyse the comparative financial performance of companies and impact of financial performance on stock returns. It also shows the clear view of the market trends of selected Sensex stocks.*

Chapter- VII: **Fundamental & Technical Analyses: Investors' Perspectives-** *This chapter consists the investigation of the most important factors influencing the investment decision by considering the perspectives of investors regarding various investment approaches. It also explains the differentiation of the group of investors based on their characteristics and problems/suggestions for the improvement of investment.*

Chapter- VIII: **Summary of Findings, Recommendations and Conclusion-** *This chapter presents main findings, conclusion, scope for further research, recommendations and limitations of the study.*