CHAPTER-7

RESULT

The significance of the result shown in the study is based on the Statistical Data Representations \([107]\) i.e diagrammatically presentation (Bar Diagrams) and the techniques Statistical Inference, mainly the statistical tests like “t-Test”, “Analysis of Variance (ANOVA)” techniques. All the Statistical Tests are tested at 5% level of significance. The level of significance is the risk value at which the null hypothesis is presumed to be true and further tested by mean of Statistical Test like all the results are statistically validated using the techniques of viz. Further the data is filtered using the techniques of Data Mining like “Peer Group Analysis”, “Outlier Analysis” etc.

7.1 RESULT OF EXPERIMENT-1

From (Table 6.1.1), we can see that price of Nu tek India Ltd. share fallen drastically from IPO listing price, Rs 192 to all time low of Rs 0.65 in BSE and Rs 0.70 in NSE on 25th Nov 2011.

Following are some factors which could be the predictors to detect the factual reason of drastic downfall in the stock price.

(I) PRICE MANIPULATION BY OPERATORS

The bulk/block deals data is given in Table 6.1.2 from NSE since beginning of IPO and for the past one year from BSE. Upon carefully
analyzing the data, it is evident that following traders/individuals might have deliberately attempted to manipulate the share price while trading:

(II) GDR DUMPING

In the process total share capital increased by 12 cr and money close to Rs 316 Cr was raised by the company. During first GDR proceed, GDRs seem to have been issued at discounted prices in comparison to Indian market price, whereas the second GDR proceed looks to have been issued on par with the then market price.

Money raised through GDRs at an average price close to Rs 30 per share. Total GDRs raised were 12 Cr share equivalents. Then price started falling down and ultimately saw its bottom at 65 paise on 25th Nov 2011. Price was manipulated downward while GDRs were being dumped in to the market. On 2nd Nov 2011, only 16.76% of GDRs were there with the custodians. Shares available at dirt cheap prices were accumulated and being converted to GDRs now. From 2nd Nov till date, GDRs with custodians has increased from close to 17% to 61%. GDR data as updated on 15th March 2012, it has increased from 52.07% to 61% of total share capital. In terms of total GDRs, it is 78.58%. Current share equivalent of GDRs is 9,429,951 out of 12 Cr total GDRs raised and against total share capital of 15,45,18,600. Without any surprise, the latest GDR holding is 61% [122]. The detail is shown in Table 6.1.4.
According to Table 6.1.3 & 6.1.4, one can predict that GDRs were dumped at higher levels and bought back at dirt cheap prices. Now the question arises: Why does a GDR share holder sell at price less than the buying price and why does he again try to buy at much lower levels?

(III) MANAGEMENT IS NOT TRUSTWORTHY TO INVESTORS

Management announced the Board Meeting to occur in August 2011, to consider the Bonus issue, twice they postponed the meeting and the reason they are giving is non availability of Directors. If ever they had given some genuine reason, the investors could have understood. The said reason is as if they are fooling the investors.

(i) When the investors could see fraudulent trading entities resorting to deliberate price manipulation of the scrip by means of bulk deals, why management observed silence?

(ii) Price was hitting almost continuous lower circuits in the past couple of months till it reached all-time low of Rs 0.65 in BSE on 25th Nov 2011. Management knows the names of the trading entities possibly involved in price manipulation, upon analyzing trading data from NSE & BSE for more than an year. What did the management do after knowing the names of those trading entities?

(iii) The investors expected from the management to at least approach the regulator in ensuring that such entities be banned from further trading.
Hence, management’s claim that they value investors/shareholders interest is seen as not convincing.

(iv) Management’s claim that there is no evidence on insider trading needs to be further confirmed by disclosing holdings of promoters, management, their friends and relatives (both in India and abroad) since capital is raised through GDR proceeds, to make the investors fully convinced.

(v) Investors strongly feel that, had the management come public on business channels and provided future performance guidance immediately after price fell below its face value, the situation would have not worsened as is the case now.

(vi) Management’s claim that telecom industry turmoil as the possible reason is not convincing because other peers performance is not affected equally adversely.

(vii) Though the claim of diversification by management looks good, why it took so long to provide critical information such as this earlier, when the price fell below its face value.

(viii) Investors are also seeking answers to management’s decision to consider bonus issue, and then decision on disapproving the same. Investors were shell shocked to know that the board meeting got postponed twice and later got cancelled due to non-availability of its
directors. This shows how committed the management is in investor interests.

(IV) SEBI'S INVESTIGATION

There are lot of complains of investors against Nutek India Limited regarding price manipulation and deep fall in share price. SEBI investigation, is going on. Further we shall work on the issue and try to investigate on conceptual/Financial/ economic point of view and prepare a statistical report to examine whether there is some fraud/ manhandling in the stock is made.

7.2 RESULT OF EXPERIMENT-2

In the current study, the principle objective is to detect fraudulent activities in Stock Market Fraud using Outlier Analysis approach. In this context the combined data of Bulk Deals through Indian Stock Markets (BSE and NSE), of NuTek India Limited was collected from the official websites and studied the trading patterns of 89 different Trading Entities, who had made Bulk Deals in NuTek India Ltd Share and found some doubtful outliers.

From the Table 6.2.3 and Fig 6.2.1 it can be easily observed that out of 13 Outlier Trading Entities, 5 are found having excess sell quantities (More than 1 Lac Units). Table 6.2.4 represents that out of these 5 trading entities (marked in Table 6.2.3) 3 are having excess sale recording in Intra Day transactions. Table 6.2.5 shows that during August 2008 to June 2009, Tran Global Securities Ltd created the highest volume and did the maximum
transactions among the said 5 Outlier Trading Entities. Table 6.2.6 represents that during July 2010 to June 2011, Trans Financial Resources Ltd. created the highest volume and did the maximum transactions among the said 6 Outlier Trading Entities with excess sell quantities of 476531 units. While comparing the transactions in Table 6.2.3 with that in Table 6.2.6, it is further observed that Trans Financial Resources Ltd. has all its transactions during July 2010 to June 2011. From Table 6.2.7 it can be observed that during July 2011 to June 2012, Shree Bhuvanakaram Tradinvest Pvt Ltd, created the highest volume and did the maximum transactions among the said 2 Outlier Trading Entities. Though the SEBI took action against some of the entities (Table 6.2.8) but perhaps these mentioned entities could not come in picture at that moment of time. This may happen if proper rectification system is not adopted. This research work is an endeavor in this direction.

From Table 6.2.5, 6.2.6 and 6.2.7, we can see that each Outlier Trading Entity did Bulk Deal during a particular period, and no any Outlier Trading Entity can be found in more than one table among Table-6.2.5, 6.2.6 and 6.2.7.

It is observed that Trans Financial Resources Limited is the most suspicious Trading Entity, who has made total 40 Buy bulk deals and 44 Sell Bulk Deals, and did Intra Day Trading 38 times in BSE and NSE (During 28\textsuperscript{th} September, 2010 to 16\textsuperscript{th} March, 2011), and we have also observed that mostly this Trading Entity has bought shares at higher price and sold at lower price
and incurred losses. It creates a doubt that this Trading Entity has played major role in Price Manipulation, from Rs. 44 level to Rs 11 level.

As per the information available on SEBI website, it has been observed that SEBI has banned the 3 Entities shown in Table 6.2.8, from Category 3 (Singh & Nagar, 2012) [112], which were also involved in Bulk Deals of NTIL share and also manipulated share price of NTIL.

7.3 RESULT OF EXPERIMENT-6.3

We can analyze that how a single dependent variable can be affected by the values of one or more independent variables. For example, in this study we can analyze how a stock’s close price is affected by such factors as open price, high price and low price. In our model, we have taken Close Price as Response Variable and two predictors (i) Open Price (ii) Difference of High and Low Price. The resultant Outliers are data points that are more than some appropriate distance from a regression line that is estimated using all the other data points in the sample.

We have taken historical data from BSE website for period of one year, from 1st April, 2011 to 30th March, 2012. Total 249 days trading data has been taken in this period for all the companies, excluding holidays and Non-Trading Days. In Peer Group, all the companies are from B category stocks. In Non Peer Group, we have randomly chosen 5 companies from A category stocks (For Group A) and 5 companies from B category stocks (For Group B)
from different-different sectors. From Table 6.3.4, we can see that in Peer Group, Nutek India Ltd. has the highest numbers of outliers. Earlier we have studied how Operators/Manipulators badly hammered share price of Nutek India Ltd., from IPO listing price Rs. 192 to below 1 rupee (Singh & Nagar, April 2012) [112] and also found illegal intraday trading done by II/NII (Institutional Investors/Non Institutional Investors) in the said company (Nagar & Singh, October 2012) [88]. If we compare Mean value of Outliers from Table 6.3.4, 6.3.5 and 6.3.6, we can see that Peer Group’s mean value of outliers is 20.8 and it is higher than both Non Peer Groups, 12.6 from Non Peer Group A and 15 from Non Peer Group B.

As per the Table 6.3.1, 6.3.2 and 6.3.3, it can be easily observed that in almost all cases the R-Square value is more than 90%, except the one case of Non Peer Group of category B company- Praj Industries Ltd. That shows the regression model corresponding to each and every company either of Peer Group, Non Peer Group of category A and Non Peer Group of category B, is a best fit model to predict the Closing Price on the basis of Opening Price and SHL.

Secondly the p-values with respect to all regression coefficients in each fitted regression equation, comes to be less than 0.05, which shows that the regression coefficients in all fitted regression equations are significant except the regression equations to be the best fit for the given situations.
The results in Table 6.3.7, 6.3.8 & 6.3.9 are obtained by using SPSS (Statistical packages for Social Sciences) version 20. The ANOVA (Analysis Of Variance) Table-6.3.7 with respect to Table-6.3.4 shows that the number of outliers in Peer Group companies are not same but varying with respect to time. It means there could be multiple number of factors, that varies with respect to time, to generate the outliers of all these 5 Peer Group companies, at various time points (p-value <0.05). On the other hand the outliers in Non Peer Group companies are not more than 15 on an average. The ANOVA Table-6.3.8 with respect to Table-6.3.5 shows that the outlier observation numbers are not varying much similar between the companies as compared to time of occurrence of outlier( p-value >0.05). The ANOVA Table-6.3.9 constructed with respect to Table-6.3.6 shows that the observations occur at significantly varying time (p-value <0.05) but the variation, within the outlier observation numbers of each company, is insignificant.