PREFACE

Stock Market is one of the most vibrant sectors in the financial system, marking an important contribution to economic development. Indian Stock Market is the most vital & Fluctuating among the world stock exchanges. Capital Market is the buzz word in the first decade of the twenty first century. The growth of capital market in India was the best times in its history up to latter half of the year 2008 but it was downfall or rather crash of Indian capital market started and since then it has failed to recover the confidence of the investors.

There is a Emerging trend of FII and Domestic investors in Indian Stock market. BSE-SENSEX is one of the main indicators of the Indian economic growth and the scrip includes most liquid, and having high market capitalization 30 companies from all sectors in India.

Maximizing shareholder’s value has become the new corporate paradigm in recent years. In modern competitive world each & every corporate units earn a profit. Just earning profit is not enough, a business should earn sufficient profit to cover its cost of capital and create surplus to grow.

So that it is necessary to perform well by Indian companies to attract FII & domestic investors. Performance can be measured by various tools i.e., Earning Per Share, Return on Capital Employed, Return on Networth, Net profit Margin etc.

However, the traditionally used profit indicators are ineffective parameters in explaining whether the reported profit covers the cost of capital or not. Furthermore investors would like to earn risk free return plus return on their risk employed. Now a day’s company distribute dividend to their shareholders, but company does not pay total profit as a dividend to the shareholders, these remaining unpaid amount are funds that belong to the equity shareholders
which have been reinvested in the company and therefore, those retained funds should be included in the category of equity.

Real owner of such reinvested capital is equity shareholders and they expect certain percentage return on such capital employed. This is known as Economic Value Added. EVA is one of the modern technique for performance measurement of corporate unit. EVA focuses on clear surplus in contradiction to the traditionally used profit available to the shareholder.

Shareholder’s wealth can be maximizing by various ways, among them one is security prices that is expected by investors. Two key determinants of share/security prices are expected risk and return. In the present scenario investors are hesitant to invest in risky assets. There has always been a fear of burning hands of oneself in this volatile stock market. The financial managers must understand these concepts as they have a bearing on the share prices as well as the valuation of the firm. Now a day’s every corporate sector units argued that they can maximize shareholder’s wealth. But due to recent trend of FII and domestic investments, investor needs to evaluate the performance of the company.

In the present study researcher has been attempt to discover performance of BSE – 30 companies by applying modern tool EVA. Furthermore researcher also tried to discover whether CAP model has been applicable in Indian Stock Market or not. For that purpose researcher calculate beta (risk) and stock return and correlate both the variables. Researcher also attempt to discover undervalued or overvalued security among BSE – 30 companies during the study period.