Chapter III

Review of Literature
In the developed markets, many studies have been conducted to test the efficiency of capital markets with respect to corporate event announcements, especially in the United States. In India, only very few studies have been conducted. Some of the select studies relevant to the present study are reviewed in this chapter.

**Beaver (1968)** examined the reaction of the Trading Volume Activity (TVA) and Security Returns Variability (SRV) to annual earnings announcement with a sample of 143 New York Stock Exchange (NYSE) firms. This study used weekly data for 17 weeks surrounding the earnings announcement week and reported that there was a **dramatic increase in TVA and SRV in the earnings announcement week**. The result indicated 33 percentage increases in TVA and 61 percent increase in SRV in earnings announcement week over the non-announcement weeks.

A study entitled **"The Random Walk Hypothesis and Technical Analysis"** by **George E. Pinches (1970)** found that the random walk hypothesis implies that the price movements are virtually independent of past price movement. The authors opined that investors should not be able to gain from any past information as the future prices are independent of such factors as volume of sale, short interest, odd-lot sales, and stock advances and declines. The study reveals that the random walk hypothesis may be incorrect or, atleast incomplete.

A study entitled **"Implications of the Random Walk Hypothesis for Portfolio Management Studies"** by **Fischer Black (1971)** found that diversification is preferable to a passive portfolio strategy and the brokerage costs on small purchases of a large number of stocks can be as high as 18 percent in and out. It is important for the investors to choose a well diversified portfolio and to choose a portfolio that fits his objectives, including the tax status and the ability to tolerate fluctuations in the value of his portfolio.

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Basu.S (1977), in his study, "Investment performance of common stock in relation to their price-earnings ratio: A test of the efficient market hypothesis", estimated Ordinary Least Squares (OLS), using 168 months of data (April 1957 - March 1971). The result reveals the fact that P/E ratio information was not fully reflected in security prices in a rapid manner during the period studied. Securities trading at different multiples of earnings, on an average, seem to be inappropriately priced and opportunities for earning abnormal returns were afforded to investors. Tax-exempt and tax-paying investors, who entered the securities market with the aim of rebalancing their portfolios annually, could have taken advantage of the market disequilibria by acquiring low P/E stocks. In conclusion, the behaviour of security prices over the 14-year period studies was not completely described by the efficient market hypothesis.

Michael C. Jensen (1978), in his study entitled, "Some Anomalous Evidence Regarding Market Efficiency", has tested the efficient market hypothesis and found it to be consistent with the data in a wide variety of market: the New York and American Stock Exchanges, the Australian, English and German stock market, various commodity futures markets, the Over-The-Counter markets, the corporate and government bond markets, the options market, and the market for seats on the New York Stock Exchange. Yet, in a manner remarkably similar to that described by Thomas Kuhn in his book, 'The Structure of Scientific Revolutions', it seems to be entering a stage where widely scattered and as yet in cohesive evidence is arising which seems to be inconsistent with the theory. As better data become available (e.g. daily stock price data) and as our econometric sophistication increases, it is possible to find inconsistencies that our cruder data and techniques missed in the past.


Edward M. Miller (1979)\textsuperscript{6}, in his study entitled, “A simple counter example to the random walk theory”, argues that any non-random fluctuation in price (other than a steady upward drift approximating the risk adjusted rate of returns) would be exploited by speculators who would buy before an expected fall, eliminating any predictable functions and making all price changes random. This argument assumes that speculators are able to sell short as readily as they can buy long. The speculator can show a profit from a short sale only if the stock’s total returns (dividends plus appreciation) is less than zero.

Obaidullah (1990)\textsuperscript{7}, in his paper entitled, “The adjustment of stock price to half-yearly earnings announcement in India”, studied 33 securities which performed well. The author has reported that earnings showed an increasing trend much before the announcement week. This implied that the market, to some extent, was able to anticipate the good news and reacted accordingly. However, the trend was noticed in the post announcement week too. This showed that the market is inefficient in a semi-strong sense.

The study entitled “Random Walks in Stock Market Prices” by Eugene F. Fama (1995)\textsuperscript{8} found that random walks in stock market prices present important challenges to both the chartist and proponent of fundamental analysis. If the random walk model is a valid description of reality, the work of the chartist, like that of the astrologer, is of no real value in stock market analysis. The empirical evidence of data provides strong support for the random walk model. The challenge of the random walk theory to the proponent of fundamental analysis is to show that more complicated procedures are actually more profitable than a simple random selection policy.

Elfakhani (1995), in his study entitled, “An empirical examination of the information content of balance sheet and dividend announcement: A signaling approach”, seeks to find out whether changes in financial statement and dividend can together provide a better information transmittal system to deliver missing private information on the firm. The author mentioned that the dividend signal draws its value from three sources: its expected content favorableness, sign of dividend change and type of signaling role. He further elucidated that the signaling system can involve three corporate attributes: capital investment, financing and agency decision, all of which contribute to the firm’s future cash flows. Finally, the researcher concluded that the strength of market reaction to dividend announcements depends on the role of the dividend signal (confirmations and clarifications). The results also reveal that the market is more concerned with the news favourableness than with the sign of dividend change.

A study entitled, “Actual Share Reacquisitions in Open-Market Repurchase Programs”, by Clifford P. Stephens and Michael S. Weisbach (1998) investigated the Dutch auction repurchases and tender offers. The result shows that open-market repurchase programs do not precommit firms to acquire a specified number of shares. In a sample of 450 programs from 1981 to 1990, firms on an average acquire 74 to 82 percent of the shares announced as repurchase targets within three years of the repurchase announcement. This study reveals the fact that share repurchases are negatively related to prior stock price performance, suggesting that firms increase their purchasing, depending on its degree of perceived undervaluation. In addition, repurchases are positively related to levels of cash flow, which is consistent with liquidity arguments.

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According to the study entitled, “The pricing of underwriting risk in relation to Australian rights issues”, John C. Handley (1995) examined the pricing of underwriting risk within an options pricing framework, using a sample of sixty rights issues of ordinary shares undertaken during the three year period ending 30 June, 1993, and found that the risk of shortfall that is sold by issuer to the underwriter is found to be significantly overpriced by 0.60% of the offer price, representing 49% of the underwriting fee, on an average. These excess returns to underwriting are found to be unrelated to the size of the issue and the condition of the market at time of issue. However, significantly higher excess returns are associated with lower volatility stocks and deeper discount issues.

A study entitled, “Equity rights issues; signaling vs issue price irrelevance hypothesis”, by Nickolaos V. Tsangarakis (1996) examines the relationship between common stock returns and the subscription price level of equity rights offerings in Greece during the period 1981-90. The findings of this study show that the associated stock returns are independent of the issue price. This evidence does not support the view that the issue price serves as signal of the stock’s true value.

Srinivasan.R (1997), in his study entitled, “Security Prices Behaviour Associated with Rights Issue – Related Events”, examines security price behavior associated with rights issues related events and provides evidence on corporate capital structure, capital market efficiency and event study methodology. The author concludes that a rights issue of equity is seen as ‘bad’ news by investors and a rights issue of fully convertible debenture (FCD) is seen as ‘neutral’ news. The pricing of rights issues is not important. The capital market is efficient with the exception of an ex-rights abnormality. Finally, in conducting event studies, a native methodology is adequate.

Eugene Pilotte (1997),¹⁴ in the study entitled, “Earnings and Stock Splits in the Eighties”, presents evidence on the nature of the earnings information conveyed by stock splits during 1970-80. During 1970-80, the information conveyed is that large pre-split earnings increases, usually viewed by the market as transitory and likely to be followed by earnings decreases, are in fact permanent. This paper presents evidence on the nature of the earnings information conveyed by splits during 1982-1989, a period of lower inflation and higher real economic growth. Results for 1982-1989 indicate that the market interprets stock splits as signals of subsequent earnings increase. Thus the information conveyed by stock splits is time-period specific, with the market interpreting splits more optimistically during the period when economic conditions are stronger.

Elroy Dimson and Massoud Mussavian (1998)¹⁵, in their study entitled, “A brief history of market efficiency”, narrated that the efficient markets hypothesis is simple in principle but remains elusive. It is hard to profit from even the most extreme violations of market efficiency. Stock market anomalies are only too often change events that do not persist into the future. The importance of the efficient markets hypothesis is demonstrated by the fact that apparently profitable investment opportunities are still referred to as anomalies. The efficient markets model continues to provide a framework that is widely used by financial economists.

A study entitled, “Testing of the positive-multinational network hypothesis: Wealth effects of International Joint Ventures in Emerging Markets”, by Larry J. Prather (1998)¹⁶ examined the announcement effects of 240 international joint ventures undertaken by firms to ascertain their impact on shareholders wealth. The reaction between ventures that form the basis for initial operations in a country and subsequent operations are contrasted. The results of the study indicate that venture-

specific characteristics influenced the announcement effects and that the positive multinational-network hypothesis is supported.

According to the study entitled, “Market efficiency, long-term returns, and behavioural finance”, by Eugene F. Fama (1998), market efficiency survives the challenge from the literature on long-term returns anomalies. Consistent with the market efficiency hypothesis that the anomalies are chance results, apparent overreaction to information is about as common as under reaction and post – event continuation of pre – event abnormal returns is about as frequent as post – event reversal. Most important, consistent with the market efficiency prediction that apparent anomalies can be due to methodology, most long-term returns anomalies tend to disappear with reasonable changes in technique.

Seth Armitage (1998), in his study entitled “Seasoned equity offers and rights issues: a review of the evidence”, pointed out that the market reaction to announcement of seasoned equity offers, the price elasticity of demand for new shares and the timing of issue are negatively correlated. Further, the author has well documented the fact that the issuers of shares underperform in the long term but at the same time, the market receptiveness to new issues also varies. Finally, the researcher concluded that US companies use non-rights issues though rights appear to have been cheaper. But the UK based companies use underwritten rights though underwriting increases the direct costs.

Robert Hanrahan, Joseph Kushner and Isidore Masse (1998), in their study entitled, “Are stock market event studies affected by the price range of shares? The Canadian experience”, use event date methodology to examine whether low priced and high priced shares respond differently to market events. Our results indicate that in response to takeover announcements, low priced shares are more price volatile and

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unlike higher priced shares, decline after the event date. Finally, the author concluded that recognition of share prices should be considered in event studies and in particular, while comparing the results of different studies.

Ajay Pandey (2001)\(^{20}\), in his study entitled, “Takeover Announcements, Open Offers, and Shareholders’ Returns in Target Firms” pointed out substantial valuation gains for target firms, particularly in cases of successful takeovers. This effect has been found to be higher for tender offers compared to mergers and proxy contests. Based on the empirical investigation of 14 large (above Rs 10 crores) takeover related open offers using study methodology, the researcher documented the significant announcement effect (10\%) associated with takeovers in Indian capital market. The researcher also found that the target firm valuations increase in the run up to the announcement. Finally, the researcher concluded that only one large open offer (out of 16 in all) was associated with an attempted unsuccessful hostile takeover bid. Hence it is inferred that given relatively large insider shareholdings, takeovers as governance mechanism are not likely to be effective and private value of control may be the driver in the market for corporate control.

The study entitled, “Trumps for Mergers and Acquisitions – Information Technology Management in Mergers and Acquisitions Strategy” by Jullie and Walf (2001)\(^{21}\) found that success of mergers and acquisitions depend on proper integration of employees, organization culture, IT, products, operations and service of both the companies. Proper IT integration in mergers plays a critical role in determining how effectively merged organizations are able to integrate business process and people, and deliver products and services to both internal and external customers of the organization. The study suggests that to address the challenges, Chief Information Officers (CIOs) should be involved from the early phase.

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The study conducted by **Ajay Pandey (2001)**, in the context of developed countries, points out the substantial valuation gains for target firms, particularly in the case of successful takeovers. The primary motivation for the study was to test whether takeovers are seen by capital market as creating value to the firm by improving performance, following change in management or as mere replacement of existing management without any expectation of concomitant improved managerial and firm performance.

An attempt was made by **Kun Shin Im, Kevin E. Dow and Varun Grover (2001)** in their study entitled “Research Report: A Reexamination of IT Investment and the Market Value of the Firm – An event study methodology” to evaluate the effectiveness of information technology investments. In this study, the researcher examined the changes in the market value of the firm as reflected in the stock price in response to IT investment announcements. Reactions of price and volume were negatively related to firm size and became more positive over time. The result of time lag effect demonstrates that the stock market has recently begun to identify both tangible and intangible benefits of IT investments. Finally, this study provides optimism on the stock market reactions to IT investment announcements as well as further insight into the study of IT impact on organizational performance.

**Hemant Merchant (2001)**, in his study, “International Joint Ventures and Shareholders Value Creation (Evidence from Manufacturing and Non-Manufacturing sector)”, found Mean Abnormal Returns of 0.56% (P<0.01) for manufacturing parents when their IJV (International Joint Venture) was first publicly announced (event day, t=1). The study also found that the shareholders’ value was created for approximately 52 percent of these parents (P<0.07).

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Kakati, M (2001) has examined the reaction of security prices around the announcement of bonus issue and around the ex-bonus date. The study used a sample of 115 bonus announcements made during the period January 1995-March 1999. Applying the Market Adjusted Abnormal Returns (CAR), the study found that the security prices reacted long before the date of announcement of bonus, resulting in an abnormal returns of 15.4% during the pre-announcement period of 30 days upto and including the announcement date. The study reported that the prices started declining after the announcement date, resulting in a loss of 3.53% during the post announcement period of 15 days.

The paper entitled, "When a buyback isn't a buyback: Open market repurchases and employee options", by Kathleen M. Kahle (2002), examines how stock options affect the decision to repurchase shares. The author clearly mentions that firms announce repurchases when executives have large number of options outstanding and when employees have large number of options currently exercisable. Once the decision to repurchase is made, the amount repurchased is positively related to total options exercisable by all employees but independent of managerial options. These results are consistent with managers repurchasing both to maximize their own wealth and to fund employee stock option exercises. The market appears to recognize this motive, however, and reacts less positively to repurchases announced by firms with high level of nonmanagerial options.

A study by Dilip Kumar Sen, Sugan C.J. Jain, Swapan Kumar Bala (2002) examined the impact of dividends and retained earnings on the market price of share with selected enterprises of the pharmaceutical industry in India for the period between 1989 to 1998. The study found that on an average, a unit change in dividend per share, other things being constant, resulted approximately in a 8.5% unit change in

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the market price per share compared to the retained earnings where one unit change caused a 2.7 unit change in the market price.

Jijo Lukose and Narayanan Rao. S (2002)¹ in their study, "Market Reaction to Stock Splits – An Empirical Study", have examined the reaction of stock prices around the date of announcement of stock splits and ex-split date. The sample for the study consisted of 30 companies listed on the Bombay Stock Exchange for the period between 1992-2001. The abnormal returns were calculated using the market adjusted returns, market model adjusted returns, and mean adjusted returns. It was found out that on the date of announcement, there was an abnormal returns of 5.27 percentage and on day +1, 2.42 percent. The result of abnormal returns around the ex-split day shows that much of the abnormal returns take place on day 0 (3.68%) and day +1 (2.04%).

According to a study entitled, “Stock Market Seasonality in an Emerging Market”, by Sarma S.N (2004)², the daily returns generated by the SENSEX, NATEX and BSE 200 during January 1st 1996 to August 10th 2002, comprising a total of 1667 observations, were considered for testing the seasonality. The result of this study shows that the Indian stock markets do manifest seasonality in their returns pattern. The Monday-Tuesday, Monday-Friday and Wednesday- Friday sets have positive deviations for all the indices. Further, Monday-Friday set for all the indices has the highest positive deviation, thereby indicating the presence of opportunity to make consistent abnormal returns through a trading strategy of buying on Mondays and selling on Friday.

Samson Ekanayaka (2004)³ in his study entitled, “Information Signaling of Common Stock Repurchase Announcement: Australian Evidence”, investigated the information signaling effects on market as a result of buy-back announcements, using

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most recent Australian data. The total population of on-market buy-back announcements during the period from January 1, 2000 to March 10, 2003 was examined. The abnormal market returns over the short-run (announcement day and 9 trading days centered on the announcement date) was computed using all the Ordinaries Accumulated Index as the reference portfolio. The daily Abnormal Returns (AR) and Cumulative Abnormal Returns (CAR) during the event period were computed. Abnormal Returns (AR) during the event period were computed. The results strongly support the information -signaling hypothesis of share buy-backs. Australian market generally considers announcement of on-market share repurchases as signaling of insider information that shares are currently under priced.

The study entitled, “The benefits and costs of deeply – discounted rights issues – practitioners’ viewpoint”, by Bruce Burton, Christine Hellar and David Power (2004)\(^1\) has documented that deeply discounted rights issues (DDRIs) remain rare on the world’s largest stock markets but the costs and benefits of such issues have attracted renewed attention in recent years as market regulators search for ways of driving down the cost of external fund raising. Further, the author has reported that the results of a series of discussion with firms, investors and advisers in the UK regarding DDRI (deeply discounted rights issues) and the extent to which concerns about the impact on earnings, continue to hamper growth in their use.

Antonis Demos, Fragkiskos Filippaias and Marina Papanastassiou (2004)\(^2\), in their research paper entitled, “An Event Study Analysis of Outward Foreign Direct Investment: The Case of Greece”, provided detailed and updated evidence on the value generating effect of different modes of foreign direct investment (FDI) entry. Further, the authors empirically evaluated the impact of FDI on the stock returns of Greek firms participating in the Athens Stock Exchange (ASE). In the case of Greece, the cross-section analysis revealed that successful outward FDI projects tend to be located in


developed countries, performed in a high-technology sector and linked to horizontal integration.

Christian Homburg and Matthias Bucerius (2005), in their study entitled, “A Marketing Perspective on Mergers and Acquisitions: How Marketing Integration Affects Postmerger Performance”, examine the effects of postmergers integration in marketing (extent and speed of marketing integration) on M&A performance, as mediated by integration outcomes (magnitude of cost savings and market-related performance). Results from a survey of 232 horizontal M&A show that market-related performance after the merger or acquisition has a much stronger impact on financial performance than does cost savings. In addition, the authors find that the extent of integration is beneficial in terms of cost savings but detrimental in terms of market-related performance.

An attempt was made by Mishra A.K (2005) to investigate the market reaction around the bonus issue for the period between June 1998 to August 2004. The author examined 46 observations (bonus announcement) and found a negative median abnormal returns (0.63%), occurring one day before the bonus announcement day. On this day for 18 companies, the abnormal returns (39.13) were positive on an average. The sample firms experienced negative abnormal returns on the announcement day (t0 = -0.19%) as well as following day (t +1 = -0.16%). This clearly indicates that the market had already anticipated the announcement of bonus issue and had reacted much earlier than the announcement day.

Paras Singhal (2005) reported in his study entitled “Inefficiencies in the Indian Capital Market: Can Over-Night Gain be used as Predictor of Day Gain?” that the rule of using overnight gains as a predictor of day gains does not seem to hold in a


highly volatile market. On occasions when the market is relatively stable, this rule does
give much higher returns than the trading method based on taking a position for a long
period of time. The problem is that since it is difficult to predict how volatile the
market is going to be, it is not possible for the investor to know when to apply the rule.
Finally, the author concludes that the overnight gain hypothesis needs more research to
come up with a viable trading strategy.

**Jeffrey E. Jarrett and Eric Kyper (2006)** examined the weak form of the
efficient markets hypothesis with respect to daily closing prices. Furthermore, this
study of individual securities prices of traded securities on organized markets
corroborates previous findings of studies of stock market indices, both in the United
States and in other nation’s bourses of stock exchanges. It is significant to note that this
study differs from previous studies because the focus was on index numbers of daily
stock market prices rather than the actual prices of traded securities in the United
States.

**Mahdi M.Hadi (2006)** in his study entitled, “Review of capital market
efficiency - some evidence from Jordanian market,” discussed the purpose of
accounting research. The purpose of capital market research is to examine the
association between accounting numbers and security market so that it should be
impounded in the security price. The results show that security market reacted with
mixed signal on releasing profitability, liquidly, and solvency information.

A study on “Efficiency of the Indian Capital market”, by **Vaidyanathan.R and
Kanitikumar Gali (1994)** tested the weak form of efficiency of the Indian capital
market using runs test, serial correlation and filter rule test based on the daily closing
prices of shares actively traded on the Bombay Stock Exchange. Out of the 208 auto

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correlation computed, only 19 were outside their two-standard-deviation limits. Thus this test gives supportive evidence for the weak form of efficiency. However, the Box-Ljung statistics is significant at 5 percentage level for 6 series and hence the joint hypothesis that the auto correlation coefficients for all the 16 lags are zero, is rejected. The evidence from all the tests supports the weak form of efficient market hypothesis (EMH). However, with an unrealistic assumption of zero transaction cost, it may be possible to identify profitable opportunities for using filter rules, provided the patterns are stable overtime.

A study entitled, “Market Reaction to Stock Market Splits: Evidence from India” by Amitabh Gupta and Gupta O.P (2007),\(^{39}\) maintains that stock splits are associated with positive abnormal returns around the announcement. Further, their investigation showed that there is no announcement effect associated with stock splits in India though there does exist a pronounced ex-day effect. By and large splits are found to improve the trading volume of shares and there was increase in the daily number of traders. But they do not increase the daily turnover and consequently the liquidity of stocks in India. At the end, they concluded that the majority of shares which underwent split were trading at low market prices. It appears that reasons for a stock split by low priced companies could be explained by neglected firm hypothesis, which appears to be valid for the Indian stock market.

A study entitled “An Empirical Analysis of Share Buybacks in India” by Mishra A.K (2005),\(^{40}\) examined empirically the announcement period reaction and whether management is acting in the best interest of non-tendering shareholders when it engages in targeted share buyback. An exhaustive list of all the financial parameters was considered for the purpose of analysis. A trend analysis was performed on various parameters like share prices of these companies during and post buyback period. Various performance measures were also used to draw conclusions regarding their trends from pre-buy back to post-buyback period. The study finds that for the Indian


corporate, the long-term advantages of share buybacks are not clear. Buyback process is generally used to improve the shareholding of promoters of the company and with a view to imparting short-term gains for the investors. The author points out that buyback norms should be made more stringent for the Indian context if the companies are to have a long term view.

A study entitled “Testing informational efficiency of Indian Capital Market: A Study on Banking Industry” by Anand Babu .K and Selvam. M.,\textsuperscript{41} empirically examined the informational efficiency of Indian capital market with regards to quarterly earnings released by the banking sector companies in the semi-strong form of efficient market hypothesis. The study found that the Indian capital market is not perfectly efficient in the semi-strong form of EMH, which can be exploited by the investors to make abnormal returns. The quarterly earnings information released by the sample banking companies contained useful information for valuing the securities.

The study entitled “Stock Price Reaction to Quarterly Earnings: A Study of the Indian Market” by Mallikarjunappa. T. (2004),\textsuperscript{42} examines the efficiency of the Indian stock market in the semi-strong form with quarterly results of September 2003 (second quarter result of 2003). This study covers the Sensitive index (Sensex) based companies of the Bombay Stock Exchange (BSE). The abnormal returns (AR), average abnormal returns (AAR) were computed based on the single index model for 30 days before and after the event day. The result of t-test for AARs indicates that those who trade daily cannot earn abnormal returns. Further, the randomness test for AARs indicated that returns do not exhibit any discernible trend. Therefore, to the extent that day-traders cannot make abnormal profit and returns are random, Indian market is efficient. However, the amount of loss, based on daily AARs, was less than the amount of profit before the event-day and the amount of loss was more than the amount of profit after the event-day. The result further indicated that September 2003 quarterly results gave negative signals to Indian markets and anyone, who bought the stock


before the event-day and continued to hold the stocks after the event-day, incurred losses.

The paper entitled "Share Price Behaviour around Buybacks in India" by Thirumalvalavan, P. and Sunitha, K. (2006), investigated and tested the signaling effect of share buy-back announcements, the market reaction and share price behaviour to announcements of stock repurchases and abnormal returns across various repurchase levels. They analysed the data of 22 firms in the BSE 500 index, which announced stock repurchase option during the period 2002-2004. In his study, an examination of share price behaviour around stock repurchase proves the signaling effect of these announcements. Stock repurchase programs recorded high cumulative abnormal returns of 3.2% within two days of the event. The author found that there are no significant differences in abnormal returns as the result of various repurchase levels. These results imply the strong signaling power of stock repurchase announcements and positive market reactions to stock repurchase programs.

A study entitled, “Price-To- Earnings Multiples and Mergers and Acquisitions” by Lianzan and Francis Cai (2006), examines the assertion that the financial market pays fixed PE multiples and that the recognition of goodwill and subsequent amortization depress earnings and stock prices, putting U.S firms in a competitive disadvantage in the international mergers and acquisitions arena. Evidence from this study suggests that contrary to common belief, price/earnings ratio expands by a sufficient amount in response to amortization, making amortization irrelevant to stock valuation.

In India, studies on testing the semi-strong efficiency of capital market are few. These studies use CAR (Cumulative Abnormal Returns ) Model. Only very few studies have used the SRV (Security Returns Variability) model. Most of the studies observed that the reaction by security prices took place prior to announcement of events. In


some cases, reaction took place after announcement of events. An attempt has been made in this study to test information content of events taking the models already used in the above studies. Further, macro level event studies covering different industries with different periods have been made. But few studies have been made covering one industry for several events. Hence this study aims to cover major events with one industry.