Chapter V

Findings, Suggestions and Conclusion
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FINDINGS AND SUGGESTIONS

INTRODUCTION

Share prices are changing everyday in the stock markets. There are a lot of changes in the share price even during the intra day trading. Though the share price movement is unpredictable, an understanding of the factors influencing share prices would be helpful for investors to make decisions on buying and selling of shares. Investment analysts and consultants offer suggestions to the investors on the basis of these factors. The factors influencing share prices give signal to the investors whether to buy or sell a particular share on any particular day. The cement industry is one of the major industries contributing to the economic development of the country. It is also a fast growing industry. Urbanization and infrastructure development of the country have paved the way for the growth of the cement industry.

FINDINGS

Share prices of the selected companies have been analysed with mean, standard deviation and coefficient of variation. Monthly average share prices prevailing in the Bombay Stock Exchange were taken into account. Money flow on account of share prices has been measured in terms of money flow index and analysed for each of the companies separately.
The monthly average share price of ACC Limited showed an increasing trend on an average till the year 2007-08 whereas the share price witnessed a decline in the year 2008-09. The behaviour of share price of ACC Limited is also confirmed by the standard deviation. The coefficient of variation indicates that the highest increase in share price took place during the year 2005-06 while the lowest variation was found in the monthly average share price of ACC Limited which showed an increasing trend on an average till the year 2007-08 whereas the share price witnessed a decline in the year 2008-09. The behaviour of share price of ACC Limited is also confirmed by the standard deviation. The coefficient of variation indicates that the highest increase in share price took place during the year 2005-06 while the lowest variation was found in the year 2006-07.

Money flow index of ACC Limited reveals that the highest money flow was found during April 2006 and the lowest flow of money took place during April 2003.

There was a fluctuating trend in the mean value of monthly average share prices of Ambuja Cements. It is also backed by the standard deviation. A greater variation was observed in the monthly average share price of Ambuja Cements during the year 2005-06. It is also noted that the variation in the share price was little in the year 2007-08 as indicated by co-efficient of variation.
The money flow on account of share price of Ambuja Cements increased gradually every year till the year 2007-08. However, there was a sudden fall in the money flow due to the share prices of Ambuja Cements.

An increasing trend was observed in the monthly Average share price of Grasim Industries until the year 2007-08. The monthly average share price witnessed a massive decline in the year 2008-09. The standard deviation and co-efficient of variation indicate that the share price of Grasim Industries was subject to a fluctuating trend.

The money flow showed a fluctuating trend during the first half of the study period, i.e., 2003-04 to 2005-06 whereas there was a constant decline in the share price during the second half of the study period.

The monthly average share price of India Cements increased over 7 times during the first five years of the study, i.e., from 2003-04 to 2007-08 and fell to nearly half of that of the previous year (2007-08) at the end of the study period. The variation in share price in terms of standard deviation also indicated the similar results. The greater variation in share price was observed during the year 2003-04 while the lowest variation was found in the year 2006-07.

Money flow on account of share price of India Cements increased rapidly up to the year 2006-07 but declined thereafter as indicated by the money flow index.
Share prices of Madras Cements declined to nearly one third of the prices that prevailed at the beginning, after having fluctuations during the study period. It is well supported by the standard deviation and co-efficient of variation. It is realized from the co-efficient of variation that the share price of Madras Cements varied to a greater extent during the year 2008-09.

Highest money flow was found during October 2007 on account of share prices of Madras Cements while the lowest money flow took place in the month of April 2003.

TREND ANALYSIS

Trend analysis was conducted by linear regression model. By using this method, the trend values of the share prices of each company were computed. The trend values were computed for the period of study as well for the next five years, i.e., from 2009-10 to 2013-14. This analysis is useful for predicting the trend.

Trend analysis shows that the price of shares of ACC Limited would go up to Rs.1475.93 in the year 2013-14 while the trend value of share price of Ambuja Cements would turn into negative during the year 2013-14.

It is learnt from the trend analysis that the trend value of share price of Grasim Industries would rise over Rs.4000 in the year 2013-14. The trend values of share price of India Cements and Madras Cements during
the year 2013-14 have been predicted to be Rs.362.50 and Rs.2108.67 respectively.

**T TEST**

The share prices of the selected companies have been compared with the sensex – the sensitivity index of share prices in the Bombay Stock Exchange. The relationship between share prices and sensex has been analysed by applying ‘t’ test. The results of ‘t’ test call for the following observations.

- The share price of ACC Limited was significantly but negatively related with the sensex. The relationship between the share price of Ambuja Cements and sensex was found to be negative but statistically significant.

- A negative but statistically significant relationship was observed between the share price of Grasim Industries and sensex. Share prices of India Cements and Madras Cements were also negatively but significantly related with the sensex.
ANALYSIS OF VARIANCE

A two-way analysis of variance has been performed to understand the significance of relationship between share prices of the Indian Cement Industry and sensex. In this regard share prices of the select Indian cement companies were compared with the sensex. It is observed that there was a significant relationship between share prices of the selected companies and the sensex. It implies that the share prices of the selected companies move in accordance with the changes in the sensex.

MULTIPLE CORRELATION

The relationship among the share prices of the selected companies has been tested with the multiple correlation. It is observed from the analysis that the share prices of Grasim Industries and India Cements were highly correlated with that of ACC Limited. It is also evident that the correlation between share prices of Ambuja Cements and all the other companies was found to be negative. There was a little correlation between share prices of India Cements and Madras Cements.

GROWTH ANALYSIS

Average growth rate and compound growth rate were used to measure the growth of share prices of the selected companies. The analysis showed that the share price of ACC Limited witnessed a compound growth of 22.37 per cent while the compound growth of Ambuja Cements was found to be negative. The share price of Grasim Industries grew over 17 per cent as measured by the compound
growth rate. It is noted that there was a positive compound growth rate of 31.72 per cent and negative growth rate of 17.06 per cent in respect of share prices of India Cements and Madras Cements respectively. The compound growth rate of sensex was found to be 22.04 per cent. It reveals that the growth of share prices of ACC Limited and India Cements were greater than that of the sensex.

MOVING AVERAGE

‘Buy’ or ‘Sell’ signal is given to the investors with regard to the share prices on the basis of moving average. The quarterly moving average of the share prices of the selected companies has been computed for the last three years of the study period, i.e., 2006-07 to 2008-09. It is revealed that there was a ‘sell’ signal for investors during the years 2006-07 and 2007-08 towards share price of ACC Limited while ‘buy’ signal was given in the year 2008-09. The moving average of share prices of Ambuja Cements indicated ‘sell’ signal in all the three years.

‘Sell’ signal was given by the moving average of share price of Grasim Industries during the years 2006-07 and 2007-08 whereas the signal given by the moving average of the year 2008-09 was to buy the shares of Grasim Industries. The investors were signaled to sell the shares of India Cements as reported by the quarterly moving average. The moving average of share price of Madras Cements gave ‘sell’ signal during the years 2006-07 and 2007-08 and ‘buy’ signal during the year 2008-09.

ECONOMIC AND INDUSTRY FACTORS INFLUENCING SHARE PRICES
In order to facilitate the investors to understand the share price movement, factors influencing share prices have been analysed by applying ‘t’ test. In this regard, the factors influencing share prices have been grouped in seven categories namely, macro economic indicators, gold and silver rates, monetary aggregates, market indicators, exchange rates, foreign investment inflows and interest rates.

Among the macro economic indicators, Gross Domestic Product (GDP) at factor cost and Gross Domestic Product (GDP) at market prices have significantly influenced the share prices of all the selected companies. There was no significant influence over the share price of ACC Limited by the Consumer Price Index (CPI). However, the share prices of the remaining companies were significantly influenced by the CPI.

It is found that the gold rates and silver rates had significant influence over the share prices of all the selected companies. The market indicators – market capitalization at Bombay Stock Exchange (BSE), turnover at BSE, Price Earning Ratio (PER) and Price/Book value ratio had significantly influenced the share prices of all the selected companies.

The crucial exchange rates of currencies – US Dollar, Pound Sterling, Deutsche Mark/Euro and Japanese Yen were tested to understand whether they had significant influence over the share prices of the selected companies. The results indicated that these exchange rates had significantly influenced the share prices of ACC Limited, Ambuja Cements, Grasim Industries and Madras Cements. In
respect of India Cements, US Dollar and Japanese Yen had significant influence while Pound Sterling and Euro had no significant influence.

Share prices of the selected companies were influenced by the Direct foreign investment inflow while portfolio and net foreign investment inflow did not have significant influence over the share prices of these companies. It is understood that the interest rates of banks for 1 to 3 years and over 3 years had significant influence over the share prices of the selected companies.

The changes in Nifty have made significant effects on the share prices of ACC Limited, Ambuja Cements and India Cements while there has been no significant effect on the share prices of Grasim Industries and Madras Cements on account of changes in the Nifty.
SUGGESTIONS

The following suggestions have been put forth on the basis of the above key findings.

- In the year 2008-09, the share prices of all the companies were found to have decreased. It was mainly due to the global economic crisis that took place during the middle of the year 2007. Hence, on the basis of consistency as measured in terms of co-efficient of variation, it is suggested that an investor may prefer the shares of ACC Limited.

- ACC Limited yielded the highest money flow during the year 2008-09 and therefore the shares of ACC Limited would be the best preferred shares for investors.

- Trend values after five years will be greater and in increasing trend in the case of ACC Limited and Grasim Industries. Thus the investors are suggested to opt for these shares.

- The share prices of all the selected companies had significant relationship with the sensex. Hence, the investors should consider the sensex while making investment in shares of cement industry.

- Share prices of ACC Limited and India Cements are highly and positively correlated. Therefore it is suggested that the investors in cement industry should construct the portfolio of shares of these two companies.
- Investment in shares of ACC Limited and India Cements is suggested with reference to higher average growth rate and compound growth rate.

- Quarterly moving average of share prices of the selected companies suggests that purchase of shares of ACC Limited, Grasim Industries and India Cements would yield better results while it is advised to sell the shares of Ambuja Cements and India Cements to get more profit.

- It is suggested that investors should consider the macro economic indicators – GDP at factor cost, GDP at market prices and CPI while making decisions to buy the shares of Indian Cement Industry.

- Gold rate and Silver rate should be taken into account before buying the shares of selected companies.

- It is advisable to note the market indicators – market capitalization, turnover, price earning ratio and price/book value ratio while making investment in the shares of cement companies.

- Investors should keep an eye on the variations in exchange rates of US Dollar, Pound Sterling, Deutsche Mark/Euro and Japanese Yen to make the investment in shares of cement companies profitable.

- It is recommended that the investment in shares of cement companies should be made after considering the foreign direct investment inflow and interest rates of banks.
CONCLUSION

In the era of post economic reforms, investment in shares has become more attractive. The retail investors have come forward to invest their stake money in the shares of companies. The present study reveals that the share prices of cement industry move along with the sensex, and factors like GDP, CPI, exchange rates, gold and silver rates, interest rates, etc. influence the share prices. Among all the companies evaluated, ACC Limited has been found to be the best one for making investment as revealed by various parameters used in this study.