Chapter VII

CONCLUSION AND SUGGESTIONS

7.1 Introduction

Capital Market is the market where long-term (greater than one year maturity) financial instruments, such financial instruments include; ordinary shares, preference shares, bonds, and mortgages are traded or transferred. In capital market listed or unlisted companies can use many different types of corporate actions to raise funds, which in turn effect the liquidity and price of their shares in the market. There are various methods that a company can use to raise equity finance, some of such methods include obtaining lists on the stock market and selling some of its shares to the general public, other methods may include placing and bought deal. If the company is not yet listed on a stock exchange, the company can prepare for an initial public offering (IPO), in which it will be valued and an opening price will be set for its shares when they are released on the market. How much finance can be raised through an IPO depends partly on the perceived value and the share price of the company and partly on how much interest there is in the shares when that are released on the market.

For a company that is already listed on an exchange, an alternative route is to launch an additional share issue (also known as a seasoned equity offering, or SEO) or a rights issue. Right shares are those shares which are issued to existing shareholders. According to section 81 of Indian Company Act 1956, “Company can issue right shares only after the two years of creation of company or one year of first issue of shares whichever is earlier.” A SEO is a new equity issue by a company
following its IPO. A rights issue is an invitation to current shareholders to purchase additional new shares in a company. This type of issue gives the right to existing shareholders to purchase new shares, generally at a discount on the current market price on a future date. Therefore the company is giving an opportunity to shareholders to increase their holding at a discounted price. Companies may use rights issues to raise cash as an alternative to bank financing, funding acquisitions and paying down debt in order to finance future growth. For reassurance that it will raise the required finance, a company may have its rights issue underwritten by an investment bank, which would take delivery of all stock that was not taken up with the issue. There are two types of right issue:-

1. Non–Renounceable Rights

   An offer issued by a company to shareholders to purchase more shares of the company at a discount but unlike a renounceable right, a non-renounceable right is not transferable, and therefore cannot be bought or sold. The shareholder can sell the original shares adjusted by rights issue during the subscription period to any investor who can then subscribe in the company’s capital increase. However, shareholders who do not take exercise the rights by buying the discounted stock will lose money as their existing holdings will suffer from the dilution.

2. Renounceable Rights

   An offer issued by a company to shareholders to purchase more shares of the company at a discount. Stockholders that have received renounceable rights have two choices of what to do with the rights. They can act on the rights and buy more shares or they can sell them on the market.
The options available to existing shareholder

Right issue as the name suggest is a right to buy more ordinary shares in the company as an existing shareholder, but such right issue, though it is a right it is not an obligation, this means existing shareholders do not need to take up the right (shares) especially when the share price dips lower than the right issue price by the time the share needs to be taken up.

There are broadly four main options available to existing shareholder such as:

**Buy all** - the shareholder takes up all the right issue shares and keeps it.

**Sell all** - the shareholder takes up all the right issue shares, and subsequently sells all the right shares.

**Buy part; sell part** - the shareholder takes up all the right issue shares with the intension of keeping part and selling the remainder.

**Do nothing** - the shareholder does not take up the right issue shares at all,

Of all the options above a shareholder will theoretically be even (i.e. will not make a profit or a loss), except where a shareholder decides to do nothing that they may make a loss. (Often when a shareholder does nothing the company may sell the shares and whatever profit is made on the sale of such shares will be given to the shareholder less any administrative cost).

The present chapter deals with the major findings and suggestions of the study which came out as a result of the entire theoretical, regulatory and quantitative analysis and interpretation of the data and information related to the bonus share issues by Indian companies since 1991. This chapter consists of all the findings of the study which came out as a result of the entire analysis data and other information relating to right share issues by Indian companies. On the basis of these findings the
conclusions are drawn and accordingly some suggestions have been given for the improvement and conducted of further research in the field of right share.

7.2 Aims and Objectives of the Study

The study was aimed to assess the impact of right issue on share prices and earning per share of the listed companies.

However, the study was carried out with the following specific objectives:

i) To examine the overall trend of right issues by Indian companies after liberalization period;

ii) To examine the effect of right issues on share prices of the companies;

iii) To examine the impact of right issue on Earning Per Share (EPS) of companies.

7.3 Research Hypotheses

In line with the objectives stated above, the following hypotheses have been formulated and tested for the purpose of the study:

i) There exists no difference between the pre and post average returns

ii) There exists no impact of right issue on Earning Per Share (EPS)

7.4 Research Design and Process of the Study

The present study covers right issues made during 1991-2014 by the Indian Companies both from the public as well the private sectors. The present study is analytical in nature and it is based on secondary data. The present study covers the right issue made during 1991-2014 by the Indian companies both from the public as well the private sectors listed on a stock exchange. The sample of listed Indian
companies will be selected on the various basis, such as a size of the companies, age of the companies, frequency of right issues, ratio of the right issues, time lag between two right issues etc. Thus the study incorporates the data of the S & P CNX 100 listed on the National Stock Exchange were considered for the analysis. The present study covers about 24 years period of the study and it also includes the impact of right issue on share prices, and Earning Per Share (EPS). So, the study is much relevant for those companies that want to issue right share. Besides, its academic significance, the proposed study is likely to provide practical insights into the true nature, purpose and effects of the right issues, which may prove helpful for corporate management, investors and policy makers in their decision-making. The sources of data for the study has been collected from the publication of stock Exchanges, BSE, NSE official websites, SEBI Bulletins and other publications, Ministry of Company Affairs (Publications-Company News & Notes) and RBI Bulletins. The study incorporates the use of descriptive statistics that includes minimum, maximum, mean, median, standard deviation, skewness and kurtosis. The Shapiro-Wilk Test is employed with an objective to ascertain the normality of the data. The Independent sample t-test has been applied to examine the effect of right issue on share prices of the companies. Karl Pearson Coefficient of Correlation to examine the measure changes in earning per share with right issue. The research study has been divided into seven chapters. The first chapter deals with the introduction and highlights the rationale behind the study. It brings the significance and objectives of the study. It explains data source and time period of the study. It outlines the methodology to be adopted and limitations of the present study. Second chapter discusses the review of related earlier studies available in the literature. All the studies are divided into two parts including international and Indian studies in this context. The third chapter opens up with a description of the nature of right shares and their theoretical background. It also deals with rules & regulations relating to right shares issues in India. The fourth chapter discusses the characteristic
feature of right issue made in India during 1991-2014. This is an empirical retrospect of right issues in India. The fifth chapter relates to the results obtained from empirical exercise done with respect to impact on the share price due to the right issue. The sixth chapter accommodates the impact of right share issue on Earning Per Share (EPS). The seventh chapter summarizes the findings, provides conclusions and draw suggestions from the present study and provide scope for further studies.

7.5 Empirical Findings and Interpretation

7.5.1 An Overall Trend of Right Issue by Indian Companies

➢ A two way matrix right issues made by different industries during 1991-2014 presenting the data relating to the right issues of our sample companies, according to the year and industry origin of the issue. It covers 1604 right issues made by 1221 companies belonging to 67 industry groups during a period of 24 years. Out of the 1604 right issues Textiles Industry alone account for 177 i.e. 11.03% and are highest distributors of right. It will be noticed that this group performed well in the years 1991, 1992, 1993 and 1994 with right issue 19, 32, 33 and 31 respectively. An important factor which pushed up the number of right issues during 1992-1995 appears to be the loss of recession period 1990-1992. The recession of the early 1990s lasted from July 1990 to March 1991. It has been the largest recession since that of the early 1980s and contributed to George H.W. Bush's re-election defeat in 1992. Although mainly attributable to the workings of the business cycle and restrictive monetary policy, the 1990-91 recessions demonstrated the growing importance of financial markets to the American and world economies. Finance Industry, Steel Industry, Chemical Industry and Auto Industry stood 2nd, 3rd, 4th and 5th rank with a right issue 158, 81, 73, and 71 respectively.
Distribution of companies, according to frequency of right issue made by the same company during 1991-2014 represents out of the 1221 companies issuing a total of 1604 right issues, 920 companies came out with just one issue during the whole of 24 year period. It will be noticed that only three companies could make right issue at the rate of 5 issues for 24 years. 466, 171 and 32 companies could make right issue at the rate of two, three and four respectively. On an average per company right issue works out to 1.31 \([1604/1221]\) over the 24 year period and one right for every 18 years \([24/1.31]\). Less than one third of the companies have issued right shares more than once during the study period. The mean number of right issues of companies issuing two or more right issues works out to \([(466+171+32+15) / (233+57+8+3)]\).

Industry-wise classification of right issues made by companies represents out of 1604 right issues, the highest right issue (177) distributed by Textiles Industry (134) during the same study period (1991-2014). It may be noted that, out of Textile Industry 100 companies could make right issues at the rate of one issue. At the rate of two, three and four right issues made by 26, 7 and 1 companies respectively. It may be also noted that at the rate of five right issues distributed by Banking Industry and Ceramics Industry. In Banking Industry, Karur Vysya Bank and Lakshmi Vilas Bank made 5 times right issues and in Ceramics Industry, Murudeshwar Ceramics made 5 times right issues.

The time interval presented measured between two right issues made by the same company during the 24 year period. In so doing the first issue by all such companies will be counted out. Such exclusion will reduce the total number of right issue as shown in the second column of the table to 347. It may be recalled that the total number of right issue covered in this study i.e., 1604, 920 issues are excluded because they are not followed by any
successive issue during the period of the study. Of the remaining (1604-920) 684 issues another 337 are excluded being the first issue and thus being the time reference point for measuring the interval between the first two successive right issues. The second successive issue is both a reference point for measuring the interval of the third successive issue and also a destination time point for measuring the time interval between the first and second issues. For example, consider a company issuing three right issues in 1992, 1995 and 1998. In his case the time interval between the first and second issues will be three years (1992-1995) and the interval between the next two issues again will be three years (1995-1998). It is obvious that for three issues only two intervals are counted because if the first issue in 1992 is the initial reference point and the second issue in 1995 is a reference point for the second interval of three years and a destination point for the computation of initial time interval of three years. It is gathered from analysis that 45 right issues had a time interval of one year. The largest number of issues 81 has a time interval of two years. This combined with 72 issues with a time interval of three years yields the model number of right issues of the series. In other words the time range 1-3 years was the most popular range accounting for 57% \((45+81+72)/347\). The time interval, ranging from 13-24 years has been less known, as there were only 47 issues in all within this range.

The time distribution of right ratios brings out clearly the greatest significance of the 1:1 ratio followed by 1:2 ratios. The ratio 2:1 and 1:5 also appears to be adopted on a fairly large scale by companies. Thus, as many as 377 issues during the 24 year period have a 1:1 ratio, 276 issues was based on 1:2 ratios, 82 issues were based on 2:1 ratio, and 81 issues were based on 1:5 ratio. And these ratios are also the ratios rated in order of importance. It is interesting to note that the largest numbers of issue in any single period were based on 1:1 ratio. There were 83, 57 and 56 issues in 1992, 1994, and
1993 respectively. There were 48 and 31 issues in 1995 and 1996 respectively. The least right issue made in the year 2011 and 2014 with only 1.

- The popular right ratios throw further light on corporate adoption of certain right ratios during the period of study. The data has been split into five time periods viz., 1991-95, 1996-00, 2001-05, 2006-2010 and 2011-2014. Out of 1604 right issue by 1221 companies the other ratio such as 1:5, 1:4, and 1:3 stands first with 754, 1:1 ratio stands second with 377, 1:2 ratio stands third with 276 and 3:5 stands last with 47 right issue. The percentage share of 1:1 ratio in all issuing increased from 25.09 percent in the first period to 28.92 percent in the second period. In the third period (2001-05) it decreased to 13.73 percent, but it increased in the study period 2006-2010. At the last stage of the study period 2006-2010, it decreased again to 6.94 percent. It is also noted that the other ratio such as 1:5, 1:4, and 1:3 having the increasing trend during the period of study. During the period 1991-95, the other ratio given by concerned company is 42.5 percent, but in the second period (1996-2000) it increased to 149.01 percent. The increasing trend is also going on in the third period, fourth period and fifth period 54.9, 63.01 and 65.28 percent respectively.

- The industry-wise distribution of different right ratios noted that the popularity of 1:1 ratio is not shared by all industry groups alike. It appears to be a favourite of Textiles Industry followed by Finance Industry and Chemical Industry. These account for 45, 41 and 19 respectively. The best next ratio 1:2 happens to be a highly popular ratio, but at this time Textiles Industry and Finance Industry both stood rank first with 32 followed by Auto and Chemical Industry with 13. The third best next ratio is 2:1. The Finance Industry made the right issue, 14 times in the ratio of 2:1 followed by Steel Industry which made the right issue 7 times. It is interesting to note that 67
percent of total issue [1067/1604] is accounted by the ratios 1:1, 1:2, 1:3, 1:5, 2:1, 2:5 and 3:5. Thus, these ratios rank as the most favored ratios, both in over all time intervals and in terms of the industry wise distribution as well. It is also notable that the highest right issue made by the Textile Industry with 177, followed by Finance Industry, Steel Industry and Chemical industry group with 158, 81 and 73 respectively. The least right issue made by the Cigarettes Industry, Lubricants Industry and Refineries Industry with 2.

It also highlights some of the more popular right ratios for specific industry groups. There are nineteen issues out of a total of 35 issues made by firms belonging to Engineering Industry. All the six issues made by the Compressors industry are in the 1:1 ratio only.

### 7.5.2 Impact of Right Issue on Share Prices

- The present study covers right issues made during 1991-2014 by the Indian Companies both from the public as well the private sectors. The data for the study was collected from the NSE and BSE websites. A total of 1604 right issues have been made by 1221 Companies during the period under review.

In order to enhance the quality of the inference to be concluded, the data of the S & P CNX 100 listed on the National Stock Exchange as of 16/09/2015 were considered in the analysis. Out of these 100 companies only 29 companies were found to have made a right issue the said period. Out of which 29 companies, there was no record found of Crompton Greaves Ltd (Electric Equipment Sector), Reliance Capital Ltd (Finance Sector), and Zee Entertainment Enterprises Ltd (Media & Entertainment Sector) as on 30/09/1993, 24/11/1994 and 30/09/1993 respectively. So for the analysis purpose, only 26 companies have been considered. For the analysis purpose, share prices of these twenty six companies were collected for one month before and one month after the announcement date. The data were also
collected for ten days before and ten days after the announcement date. The announcement date was considered as the border line because the real effect of right issues on share prices starts taking effect from the announcement date itself. Thus we were having two groups of data for the analysis-

**T±30 Days and T±10 Days**

**T±30 days** implies the data group for the period of 1 month before and after the announcement date. It composed of the daily opening and closing price of the particular share for the complete one month period. **T±10 days** implies the data group for the period 10 days before and after the announcement date. It composed of the daily opening and closing price of the particular share for the ten days period. In order to calculate the per day return on the particular share the following formula was used.

\[ R_o = \frac{(C_o - O_o)}{O_o} \times 100 \]

Where,

- \( R_o \) = Per day Return for the Right Issue Period
- \( C_o \) = Per day Closing Price for the Pre/Post Right Issue Period
- \( O_o \) = Per day Opening Price for the Pre/Post Right Issue Period

In this way, we got per day return for a complete one month and ten day period before and after the right announcement date. With the help of these per day returns, the Average Return (\( A_o \)) for the pre and post right issue period was determined.

\[ A_o = \frac{\Sigma R_o}{N_o} \]
Where,

\[ A_o = \text{Pre/Post Right Issue Average Return} \]
\[ \sum R_o = \text{Sum of Pre/Post Right Issue Per day returns} \]
\[ N_o = \text{Total no. of Trading Day} \]

The Hypothesis was tested with the help of T-test at 95% confidence level with a sample size of 26 (less than 30). The T statistics is define as,

\[ T = \frac{X_1 - X_2}{S} \times \sqrt{\frac{n_1 \times n_2}{n_1 + n_2}} \]

Where,

\[ X_1 = \text{Pre Average} \]
\[ X_2 = \text{Post Average} \]
\[ n_1 = \text{Number of Pre Right Issues} \]
\[ n_2 = \text{Number of Post Right Issues} \]
\[ S = \text{Combined Standard Deviation} \]

➢ The quantitative analysis of pre and post average return represents the consolidated data for both pre and post right issue period. Out of these 26 companies, various companies have made right issues more than one time during the above mentioned period. It was assumed that for a particular company, every right issue made by it will have the same effect over its share prices. Thus, for the purpose of analysis only one right issue for a company was considered.

➢ The t-test for T±30 and T±10 Days comparing two means helped in concluding the inference, whether there lies any difference between the average return of the two periods i.e. pre and post right issue period. With the help of t-test this could easily be tested and a better conclusion will come
forward when the calculated value of $t$ is less than the tabulated value of $t$ at 95% confidence level the Null Hypothesis is accepted and the Alternate Hypothesis is rejected. Before applying the $t$-test the Shapiro-Wilk Test is employed with an objective to ascertain the normality of the data set in its original form to test the normality of the data.

The p-value for the Shapiro- Wilk Test turn out to be 0.35 and 0.61 for monthly pre average return and post average return respectively which indicates that data is normal. The p-value for the Shapiro- Wilk test turn out to be 0.06 and 0.09 for ten days pre average return and post average return respectively which indicates that data is normal.

➢ The result of independent sample $t$-test for $T\pm30$ represents the result of the independent sample test done with the help of SPSS. The calculated value of $t$ (1.235) was less than the tabulated value of $t$ (2.576) at 95% confidence level and 50 degrees of freedom and the P-value (.223) exhibits that the difference in paired observation is statistically insignificant at 95% confidence level which implies that the post average returns is not different than the pre average returns. Thus, concluding that there was no significance difference between the Pre Right Issue Average Return and Post Right Issue Average Return of the companies which made the Right Issue during the period under review.

➢ The result of independent sample $t$-test for $T\pm10$ represents the result of the independent sample test done with the help of SPSS. The calculated value of $t$ (.303) was less than the tabulated value of $t$ (2.576) at 95% confidence level and 50 degrees of freedom and the P-value (.763) exhibits that the difference in paired observation is statistically insignificant at 95% confidence level which implies that the post average returns is not different than the pre average returns. Thus, concluding that there was no significance difference
between the Pre Right Issue Average Return and Post Right Issue Average Return of the companies which made the Right Issue during the period under review.

### 7.5.3 Impact of Right Issue on Earning Per Share

- It can be monitored that out of 10 listed companies only 2 demonstrate a step down inclination of EPS because of large number of shares. It could be discovered that Swaraj Mazda has allotted 38% right issue, but EPS of this company has been raised by 321.7391 which is a phenomenal jump. While Religare enterprises was suffering, loss before right issue and after right issue, it converted its losses into profit and EPS has raised by 230.338%. An Andhra Pradesh Paper mill has allotted 27.27 percent right issue and EPS of this company has increased by 185.34. It can be discovered that IBN18 Broadcast has allotted 30 percent right issues and EPS has fallen by -28.27 percent and Adani Enterprise has allotted 6.25 percent right issue and EPS has slumped by -5.05 percent. The correlation between right issue and EPS is 0.11 it's a very low degree of positive correlation. It implies that there is no negative impact of right issue on EPS.

- **The Impact of Right Issue on Net Profit:**

  It can be discovered that out of 10 listed companies only 1 company IBN18 Broadcast showed a declining trend in net profit after right issue while another 9 companies showed an increasing trend in net profit after right issue. The net profits of Swaraj Mazda, Religare enterprises and Andhara Pradesh Paper mills has increased by 348.01, 252.44 and 185.91 respectively after right issue. The impact of right issue on future net profits of these companies might explain the observed change in EPS. It
could be detected that net profits of those companies have increased which have a positive impact on EPS.

➢ **The Impact of Right Issue on Net Sale:**

It can be detected that out of 10 listed companies only 2 companies showed a declining trend in net sale after right issue while another 8 companies showed an increasing trend in net sales. The net sale of Television Eighteen India has declined by 7.33 percent and Adani Enterprises by 1.40 percent after right issue. IBN 18 Broadcast, Religare Enterprise and Videocon Industries have increased their sales by 230.38 percent, 43.58 percent and 37.51 percent respectively after right issue. Although the net sale of IBN 18 Broadcast has increased by 230.38 percent, but net profit of this company has declined by 19.08 percent due to high cost.

**7.6 Major Findings of the Study**

**7.6.1 Monthly Average Return Findings**

➢ It depicts that the right issue have affected the share prices of all the 26 companies considered for the study, where the share prices of many companies have been negatively affected there were only ten companies Aditya Birla Nuvo, Apollo Hospitals Enterprises Ltd, Cipla Ltd, Eicher Motors Ltd., HDFC Ltd., Kotak Mahindra Bank Ltd., Reliance Infrastructure Ltd., Shriram Transport Finance Co. Ltd., Siemens Ltd., and Titan Company Ltd whose share prices have been positively affected.

22/12/1994, 30/09/1992, 21/01/2000, 30/09/1993, 12/08/1996, 03/08/1999, and 31/08/2005 respectively, the average return for the period of one month prior to the announcement date was 0.30487, -0.07613, -0.11534, -0.36998, -1.92889, -1.56173, 0.01205, -0.10456, 1.182609, and 0.053885 respectively as compared to a positive return of 0.388837, 0.565184, 1.030928, 1.830638, -1.14471, -0.63974, 0.561318, 0.230616, 1.261617 and 0.752429 respectively.

➢ ACC Ltd. Announced a right issue on 06/05/1999, the average return for the period of one month prior to the announcement date was 0.282803 As compared to a negative return of -2.94172 for the post issue period. It was noticed that various companies experienced the same situation as by ACC Ltd. The companies who were negatively affected by a right issue are Ambuja Cements Ltd, Bajaj Finserv Ltd, Bharat Forge Ltd, Exide Industries Ltd, Federal Bank Ltd, Glaxo Smithkline Pharmaceuticals Ltd, Godrej Consumer Products Ltd, Mother Sumi Systems Ltd, Reliance Industries Ltd, SBI, Sunpharmaceutical Industries Ltd, Tata Motors Ltd, Tata Power Co Ltd, Tata Steel Ltd and United Breweries Ltd.

7.6.2 Ten Days Average Return Findings-

➢ It depicts that the right issue have affected the share prices of all the 26 companies considered for the study, where the share prices of many companies have been negatively affected there were only eleven companies ACC Ltd, Apollo Hospitals Enterprises Ltd, Cipla Ltd, Eicher Motors Ltd, Exide Industries Ltd, Godrej Consumer Products Ltd, Kotak Mahindra Bank Ltd, Mother Sumi Systems Ltd, Siemens Ltd., Sunpharmaceutical Industries Ltd, and Titan Company Ltd whose share prices have been positively affected.
ACC Ltd, Apollo Hospitals Enterprises Ltd, Cipla Ltd, Eicher Motors Ltd, Exide Industries Ltd, Godrej Consumer Products Ltd, Kotak Mahindra Bank Ltd, Mothsrson Sumi Systems Ltd, Siemens Ltd., Sunpharmaceutical Industries Ltd, and Titan Company Ltd announced a right issue on 06/05/1999, 30/09/1993, 30/05/1995, 22/12/1994, 28/08/2007, 23/11/2007, 21/01/2000, 19/10/1995, 03/08/1999, 14/07/2011, and 31/08/2005 respectively, the average return for the period of ten days prior to the announcement date was -0.24644, -0.87274, 0.372887, -0.63164, 0.085794, 0.444235, -1.80648, -0.98039, 0.9106, 0.142016, and -0.16345 respectively as compared to a positive return of 2.617894, 2.128051, 1.030928, 1.98191, 0.485685, 0.734103, -0.3078, 0.208738, 1.883294, 0.145335, and 1.320992 respectively.

Aditya Birla Nuvo announced a right issue on 11/09/2006, the average return for the period of ten days prior to the announcement date was 0.395359 as compared to a negative return of 0.221246 for the post issue period. It was noticed that various companies experienced the same situation as by Aditya Birla Nuvo. The companies who were negatively affected by a right issue are Ambuja Cements Ltd, Bajaj Finserv Ltd, Bharat Forge Ltd, Federal Bank Ltd, Glaxo Smithkline Pharmaceuticals Ltd, HDFC Ltd, Reliance Industries Ltd, Reliance Infrastructure Ltd, Shriram Transport Finance Co Ltd, SBI, Tata Motors Ltd, Tata Power Co Ltd, Tata Steel Ltd and United Breweries Ltd.

It was clear from the results that there was a magnificent difference between the pre and post period average returns for the companies.

It was also noticed that the effect of right issue over the share prices was negative for maximum companies. Just six companies benefited from a right issue. It can thus be said that the right issue was not so fruitful for the
investors because they were left with very poor return in the post period as compared to that pre average period returns.

➢ There were three companies from the Pharmaceuticals industry and only one company was benefited, viz; Cipla Ltd. There were four and three companies from the Auto industry and Finance industry respectively, and only one company was benefited, viz; Eicher Motors Ltd. and HDFC Ltd. There was only one company from the Hospital & Medical Services, Telecommunication industry and Miscellaneous Sector and all are positively affected.

➢ ACC Ltd and Ambuja Cements Ltd both were from the Cement industry and all are the negatively affected as compared to those pre average period returns. The three companies Federal Bank Ltd, Kotak Mahindra Bank Ltd and SBI were from the Banking Industry and all are found negatively affected during the period of the study.

➢ The right issue failed to hold the average return to the investors. Rather, it led to major fluctuations in the share prices during the post issue period.

➢ There are usually downward trends during the period of right issue and even the existing shares will come under heavy strains. In case financial management does not move swiftly on the terms, its whole financial policy might come under unbearably heavy strains.

7.7 Conclusion:

The present study covers right issues made during 1991-2014 by the Indian Companies both from the public as well the private sectors. It covers 1604 right issues made by 1221 companies belonging to 67 industry groups during a period of 24 years. The sample of listed Indian companies are selected on the various basis such as a size of the companies, age of the companies, frequency of right issues, ratio of right issues, time lag between two right issues etc. In order to enhance the
quality of the inference to be concluded, the data of the S & P CNX 100 listed on the National Stock Exchange as on 16/09/2015 were considered for the analysis. Out of these 100 companies only 29 companies were found to have made a right issue the said period. Out of which 29 companies there were no record found of three companies. So for the analysis purpose only 26 companies have been considered. For the analysis purpose, share prices of these twenty six companies were collected for one month before and one month after the announcement date. The data was also collected for ten days before and ten days after the announcement date. The announcement date was considered as the border line because the real effect of right issues on share prices starts taking effect from the announcement date itself. With help of $t$–test it implies that there was a magnificent change in the average return of the shares of the companies reviewed. The average monthly return for the T-30 days was 0.19 and that of the post issue period was -0.13. Thus, the right issue led to a negative effect over the return of the shares. The negative average annual return for the post issue period also denotes the negative effect of the right issue over the share prices. On the basis of the T±30 and T±10 day analysis, it is sufficient to be concluded that although the right issue has affected the share prices, it had not done the same as expected positively. The pre issue period there was an upswing in the share prices, but the post issue period was the dark side. It was not expected of a right share. Family owned business like Tata Motors Ltd, Tata Power Ltd, Tata Steel Ltd, Reliance Industries Ltd and Reliance Infrastructure Ltd, all were left with very poor return in the post period as compared to those pre average period returns. It is thus finally concluded that the post liberalization right issues have led to negative effect over the share prices of the companies who have made the right issue.
7.8 **Suggestions:**

- Firms can hold fund raisings via the easier and quicker route of a share placing, where they just approach their top institutional investors rather than asking all shareholders to put their hands in their pockets in a right issue.
- The company should not issue share if they are not prepared to give up a certain amount of decision-making to shareholders.
- The company should consider, whether option for raising capital other than a share issue might be more suited to their investment plans.
- The shareholder should find out why the company is coming out with a right issue. If it is to raise money for a sound business plan that will eventually increase the profits and share price, then it is a good deal.
- In our study, the right issue was not very fruitful for the companies because they were left with very poor return in the post period as compared to that pre average period returns. So, the company should have been adopted the another method to raise equity finance.

7.9 **Scope for Future Researches:**

- There is a need and scope for further research in this area so that the true role of right variable can be further focused in the overall equity share valuation context. This will help comprehending the underpinnings of actual market operations as well.
- It would possible to get more fairer outcomes by increasing time period for empirical analysis.
- If same topic is studied again after some span of time than it is possible to get new and modified results.