Analytical Study On Automobile Sector Companies In Price Movement Of Shares

Mr. P V L Sudhakar
Student, KLU Business School, K L University, Greenfields, Vaddeswaram, Andhra Pradesh, India

Dr. K.S. Sekhara Rao
Assistant Professor, KLU Business School, K L University, Greenfields, Vaddeswaram, Andhra Pradesh, India. sekharks@kluniversity.in

Abstract

The review have been attempted to distinguish the elements affecting stock costs in car ventures. Development of share costs in car industry. An example of main ten ventures are chosen among 30 NSE recorded organizations. The present review is embraced with an endeavour to decide the variables that impact stock costs with regards to National Stock Exchange (NSE) 10 organizations. A specimen of 10 organizations is chosen for the period 2006-16 and utilizing direct relapse display the outcomes show that organizations' book esteem, acquiring per share and value profit proportion are having a huge positive relationship with association's stock cost while profit yield is having a noteworthy backwards relationship with the market cost of the company's stock.

Keywords:
NSE, Book value, Earning per share, Price Earnings ratio, Dividend yield ratio, Stock prices, Market price, variables.

Introduction

The main focus in the research has been taken to find the market price will affect are not with the specific variables like Book value, Earning per share, Dividend per share, Price earnings ratio. Company specific factors like Sales, Networth.And the economic factors like GDP and GNP.

As a sample 10 companies on basis of high profits Eicher motors, Bajaj auto, hero Motocorp, Maruthi Suzuki, Mahindra and Mahindra, Escort, Force , SML Isuzu, TVS & VST Till Track and Data collected from Annual reports, balance sheet, and profit and loss account of companies taken from the NSE out of 30 companies for the period of 10 years 2006-16. The analysis was done by Linear regression is suitable process to get the desire results weather the market price will affect are not by the variables.

Review Of Literature

According to Vashisht (2008) Analyzed the determinants of competitiveness in the Indian auto industry. The automobile sector is a key player in the global and Indian economy. The global motor vehicle industry (four-wheelers) contributes 5 per cent directly to the total manufacturing employment, 12.9 per cent to the total manufacturing production value and 8.3 per cent to the total industrial investment.

RAY (2012) examine the trends in capacity utilization in the Indian automobile sector at aggregate level during post liberalized economic scenario and also attempts to estimate the economic performance of Indian automobile industry in terms of capacity utilization at an aggregate level.

Dharmendra Singh (2010) found mixed and ambiguous results as there is undoubtedly strong correlation between BSE Sensex and IIP, Sensex and WPI but not between exchange rate and Sensex. There is strong correlation between the Sensex and macroeconomic variables in stock market.

Graham and Dodd (1934). This is another successful investment strategy resorted to especially after the current 2007 global financial crisis and according to this strategy the investor has to examine firms with a low price earnings stocks, low price-to-cash-flow ratio or low price to book ratio stocks as it is assumed that these stocks may outperform growth stocks.
According to Rudd (2009) before the global financial crisis, the investment trend was focused towards the stock market where investors kept a constant eye on rising and falling shares as it was a source of yielding significant returns to investors. Investment in shares has also been a source of finance for fulfilling firm requirements such as expansion and diversification. It is a generally accepted phenomenon that investors are risk averse and the volatility of their investments because great concern to them as it is a measure of the intensity of risk they bear.

Das and Pattanayak (2009) examined 30 shares constituting the Bombay Stock Exchange – Sensitivity Index in order to study the factors affecting stock price movements. The analysis revealed that higher earnings, return on investment, growth possibility and favourable valuation have positive impacts on the market price of shares while higher risk and volatility have inverse impacts.

Ramachandran (2011) used panel data and examined three sectors namely auto, healthcare and public sector undertakings over the period 2000-2009 in order to infer the main factors affecting share prices in India. The study employed the fully modified ordinary least squares method and results revealed that dividend, Price-earnings ratio and leverage are major determinants of share prices for all the sectors under consideration.

Khan et al. (2011) analyzed the impact of dividend policy on Stock prices in Malaysia after controlling for factors such as earnings per share, profit after tax and return on equity. The research applied fixed and random effect models on a panel data for 55 companies listed at KSE-100 Index for the period of 2001-2010. Results revealed that dividend yield, earnings per share, return on equity and profit after tax are positively related to stock prices while retention ratio have negative relation with stock prices and significantly explains the variations in the stock market prices.

Balkrishnan (1984), Zahir and Khanna (1982) and Sharma (2011) was the book value per share. The studies suggest that a higher book value per share depicts a sound financial performance of the company as book value is a major representation of owners’ funds. This in turn affects the stock prices in a positive way. A review of the above studies and findings suggest that firm specific factors (internal factors) have significant impact on the market price of the share. This shows that investors are continuously scrutinizing the performance of the company in order to base their future investment decisions.

Akintoye, and Oseni (2009) conducted a survey on 130 companies traded in the Nigerian stock exchange between 2001 and 2007 in order to analyze the impact of various macroeconomic factors on the market price of shares. The study employed OLS regression and regressed stock prices on earnings per share, dividend per share, oil price, gross domestic product, lending interest rate and foreign exchange rate on stock price. All the variables revealed a positive correlation to stock prices with the exception of lending interest rate and foreign exchange rate.

Al-Qenae et al. (2002) made a significant contribution to the topic by basing his research on the GCC market. He analysed the impact of the effect of earnings and other macroeconomic variables on the stock prices of Kuwait Stock Exchange during the period 1981-1997. The macroeconomic variables examined were gross national product (GNP), interest rate, and inflation. The study found that earnings and GNP were positively related to stock prices (Midani, 2001) while inflation and interest rate showed a significant negative impact on the stock prices in Kuwait.

**Need for the study:**

In current scenario of Indian stock market each investors are required to be alert enough about happenings in the market. For that purpose it is very important for each and every investor to be aware about major factors affecting stock market. In this paper it has been tried to find out major factors responsible for up-down movement in Indian stock market. From the study it has been found that factors like Flow of Foreign Institutional Investors, Political Stability, Growth of Gross Domestic Product, Inflation, Liquidity and different interest rate and Global level factors are major factors responsible to create movement in Indian stock market.
Research Methodology

By this study the population and sample size, geographical area taken was given below:

**Population:** The study population listed automobile companies are 36 in NSE.

**Geographical area:** Listed Companies in India

**Sample size:** Ten companies taken as sample out of Listed 36 companies

**Sampling method:** The study is taken by the Random sampling method

Research gap

An equity market is a reliable barometer to measure the economic condition of a country. Every major change in country and economy is reflected in the prices of shares. The rise or fall in the share prices indicates the boom or recession cycle of the economy. Stock exchange is also known as a pulse of economy or economic mirror which reflects the economic conditions of a country. This study focuses on identifying the factors which influence the equity market and their impact on the Share price. An attempt has been made to study the relation between the Market price and variables.

The study focus on the variables can affect the Market price value of the share of the companies in auto mobile industries.

Objectives:

The objective to review the existing literature by examining the empirical relationship between stock prices and company specific intrinsic factors such as book value per share, dividend per share, earning per share, price earnings ratio, dividend yield, dividend payout. Company factors like sales and Net worth.

1. To study the company specific intrinsic factors affecting the price movement of shares and company performance.
2. To analyse the impact of Economic factors like GDP, GNP, Inflation in price movement of shares.
3. To measure the company specific factors influence an share price.

Hypotheses:

**Hypothesis:** There is a significant relationship between MP (market price) of shares and company specific intrinsic variables.

- **H (1.1)** Book Value Influence by Market Price
- **H (1.2)** Earning price per share Influence by Market Price
- **H (1.3)** Dividend per share Influence by Market Price
- **H (1.4)** price Earningsratio Influence Market Price

On the basis of Net profit Ratio is consider as base for selecting 10 companies in the list of 36 listed companies in both NSE. 10 companies on basis of high profits Eicher motors, bajaj auto, hero motocorp, Maruthi Suzuki, Mahindhra and Mahindhra, Escort, Force, SML Isuzu, TVS & VST Till Track and Data collected from Annual reports, balance sheet, and profit and loss account of companies.

**Testing of hypotheses:**

By this study testing the relationship between the intrinsic factors and market value of the share. Variables are used in this are hypotheses are Earnings per share, dividend Payout, dividend per share, book value. Specific factors are sales, Net worth. And the economic factors are GDP and GNP.

- **H(1.1)** Book value Influence the Market price

By using linear regression model it tells the relation between R and R2 value and book value and Market price of the hypotheses.
Table 1: Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.420a</td>
<td>0.176</td>
<td>0.168</td>
<td>2104.411</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Book Value

From the above table R and $R^2$ value are provided by the model summary table. The R value is 0.420 which signifies the simple correlation. It shows a low degree of correlation. How much of the dependent variable, share price can be explained by the independent variable book value, indicated by $R^2$ Value. In this case 0.176 can be explained which is very large. Share value is 17.6% dependent on Independent variable.

In this model it tells the relation between of dependent variable Share price and independent variable Book value by using linear regression model

Table 2: ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>92962176</td>
<td>1</td>
<td>9.3E+07</td>
<td>20.992</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>4.34E+08</td>
<td>98</td>
<td>4428545</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>5.27E+08</td>
<td>99</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: SharePrice
b. Predictors: (Constant), BookValue

This table shows that regression model forecasts the outcome variable significantly well this specifies statistical significance of regression model that was applied. Here, P value 0.00 which is less than 0.05 and indicates that overall, the model applied can statistically significantly predict the outcome variable i.e., share price. Hence the hypotheses of Book value influence the Market value can be accepted.

Correlation Coefficients table shows the regression between Book value and share price

Table 3: Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>-13.619</td>
<td>314.076</td>
<td>-0.043</td>
</tr>
<tr>
<td>1</td>
<td>BookValue</td>
<td>4.117</td>
<td>0.898</td>
<td>0.42</td>
</tr>
</tbody>
</table>

a. Dependent Variable: SharePrice
b. Predictors: (Constant), BookValue

The above table shows that the Beta co-efficiency of the independent factors which shows the influence on the dependent factor of share price. According to the above result the Face value having high Beta that is 0.420. The T value having highest mean variance for Book value that is 4.582. According to the asymmetric significance value for all variable P value are higher than the 5% level of significance that means these variables influence on the dependent variable of share price is insignificant.

Result: Here Independent variable book value will affect the dependent variable.
Dividend Per Share

H (1.2) Dividend per share influence the Market price

By using linear regression model it tells the relation between R and R2 value and book value and Market price of the hypotheses.

Table 4: Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.673a</td>
<td>0.453</td>
<td>0.447</td>
<td>1715.041</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), dividendPershare

From the above table R and R^2 value r provided by the model summary table. The R value is 0.673 which signifies the simple correlation. Which shows a high degree of correlation how much of the dependent variable, share price can be explained by the independent variable Dividend per share, indicated by R^2 Value. In this case 0.447 can be explained which is very large. Share value is dependent on Independent variable.

In this model it tells the relation between of dependent variables Share price and independent variable Dividend per share by using linear regression model.

Table 5: ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>1</td>
<td>2.39E+08</td>
<td>81.155</td>
<td>.000b</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>98</td>
<td>2941366</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>99</td>
<td>5.27E+08</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: SharePrice
b. Predictors: (Constant), dividendPershare

This table shows that regression model forecasts the outcome variable significantly well this specifies statistical significance of regression model that was applied. Here, P value 0.00 which is less than 0.05 and indicates that overall, the model applied can statistically significantly predict the outcome variable i.e., share price. Hence the hypotheses of Dividend per share influence the Market value can be accepted.

CorrelationCoefficients table shows the regression between Book value and share price

Table 6: Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>-211.882</td>
<td>221.76</td>
<td>-0.955</td>
</tr>
<tr>
<td></td>
<td>dividendPershare</td>
<td>93.282</td>
<td>10.355</td>
<td>0.673</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Share Price
The above table shows that the Beta co-efficiency of the independent factors which shows the influence on the dependent factor of share price. According to the above result the Face value having high Beta that is 0.673. The T value having highest mean variance for Book value that is 0.955. According to the asymmetric significance value for all variable P value are higher than the 5% level of significance that means these variables influence on the dependent variable of share price is insignificant.

**Result:** Here Independent variable book value will affect the dependent variable.

### EARNING PER SHARE

**H (1.3) Earning per share Influence the Market price**

By using linear regression model it tells the relation between R and R2 value and book value and Market price of the hypotheses.

#### Table 7: Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.140a</td>
<td>0.02</td>
<td>0.01</td>
<td>2295.911</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), EarningsPerShare

From the above table shows that R and R² value r provided by the model summary table. The R value is 0.140 which signifies the simple correlation. Which shows a high degree of correlation how much of the dependent variable, share price can be explained by the independent variable, indicated by R². Value. In this case 0.20 can be explained which is very large. Share value is dependent on Independent variable.

In this model it tells the relation between of dependent variables Share price and independent variable Earnings per share by using linear regression model.

#### Table 8: ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>10381020</td>
<td>1</td>
<td>10381020</td>
<td>1.969</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>5.17E+08</td>
<td>98</td>
<td>5271210</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>5.27E+08</td>
<td>99</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Share Price  
b. Predictors: (Constant), EarningsPer Share

This table shows that regression model forecasts the outcome variable significantly well this specifies statistical significance of regression model that was applied. Here, P value 0.164 which is more than 0.05 and indicates that overall, the model applied can statistically significantly predict the outcome variable i.e., share price. Hence the hypotheses of Earning per share not influence the Market value can be accepted.

CorrelationCoefficients table shows the regression between Book value and share price.
Table 9: Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>817.09</td>
<td>285.224</td>
<td>2.865</td>
</tr>
<tr>
<td></td>
<td>EarningPerShare</td>
<td>4.758</td>
<td>3.391</td>
<td>0.14</td>
</tr>
</tbody>
</table>

a. Dependent Variable: SharePrice

The above table shows that the Beta co-efficiency of the independent factors which shows the influence on the dependent factor of share price. According to the above result the Earning per share having high Beta that is 0.140. The T value having highest mean variance for Earning Per Share that is 1.403. According to the asymmetric significance value for all variables P value are higher than the 5% level of significance that means these variables influence on the dependent variable of share price is insignificant.

**Result:** Here Independent variable Earning per share will not affect the dependent variable. **PRICE EARNINGS RATIO**

**H (1.4) Price Earnings Ratio Influence the Market price**

By using linear regression model it tells the relation between R and R2 value and book value and Market price of the hypotheses.

Table 10: Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.442a</td>
<td>0.195</td>
<td>0.187</td>
<td>2080.29</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), PriceEarningRatio

From the above table R and R² value r provided by the model summary table. The R value is 0.442 which signifies the simple correlation. Which shows a high degree of correlation how much of the dependent variable, indicated by R² Value. In this case 0.195 can be explained which is very large. Share value is dependent on Independent variable.

In this model it tells the relation between of dependent variables Share price and independent variable Book value by using linear regression model.

Table 6.11: ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>1.03E+08</td>
<td>1</td>
<td>1.03E+08</td>
<td>23.767</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>4.24E+08</td>
<td>98</td>
<td>4327613</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>5.27E+08</td>
<td>99</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: SharePrice
b. Predictors: (Constant), PriceEarningRatio

This table shows that regression model forecasts the outcome variable significantly well this specifies statistical significance of regression model that was applied. Here, P value 0.00 which is less than 0.05 and indicates that overall, the model applied can statistically significantly predict the outcome variable i.e., share price. Hence the hypotheses of Price earnings ratio influence the Market value can be accepted.
Correlation Coefficients table shows the regression between Book value and share price.

### Table 6.12: Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>443.363</td>
<td>242.889</td>
<td>1.825</td>
</tr>
<tr>
<td></td>
<td>PriceEarningRatio</td>
<td>26.627</td>
<td>5.462</td>
<td>0.442</td>
</tr>
</tbody>
</table>

a. Dependent Variable: SharePrice

The above table shows that the Beta co-efficient of the independent factors which shows the influence on the dependent factor of share price. According to the above result the Price earnings ratio having high Beta that is 0.442, and the T value having highest mean variance for Price earnings ratio that is 4.875. According to the asymmetric significance value for all variables P value are higher than the 5% level of significance that means these variables influence on the dependent variable of share price is insignificant.

Here Independent variable Price earnings ratio will affect the dependent variable

**Findings**

1) Book value Influence the Market price

The relation between book value and Market price was 0.420 in the above table. The R² Value is 0.176. From the anova table P value 0.00 which is less than 0.05.

Here Independent variable book value will affect the dependent variable Market price.

2) Dividend per share influence the Market price

The relation between book value and Market price was 0.637 in the above table. The R² Value is 0.453. From the anova table P value 0.00 which is less than 0.05.

Here Independent Dividend per share variable will affect the dependent variable Market price.

3) Earning per share Influence the Market price

The relation between book value and Market price was 0.140 in the above table. The R² Value is 0.020. From the anova table P value 0.164 which is more than 0.05.

Here Independent variable Earning per share will not affect the dependent variable.

4) Price Earnings Ratio Influence the Market price

The relation between book value and Market price was 0.442 in the above table. The R² Value is 0.195. From the anova table P value 0.00 which is less than 0.05.

Here Independent variable Price earnings ratio will affect the dependent variable market price.

**Suggestions**

1. From the above hypotheses if the book value increases leads to increasing in the market price gives more profits.
2. In the same manner the Dividend per share increases will leads to increasing market price it will give more dividends to the shareholders.
3. From the above hypotheses earning per share is low it will increases it leads to more market value and earning value of the shareholders will benefit.

4. From the above hypotheses the price earnings ratio increases it will benefit to the market price.

Conclusion
This study primarily examined the effects of book value, earning per share, dividend per share, dividend yield, dividend cover and price earnings ratio on from the study the share price of firms listed on NSE. The findings of the study for the period 2006-15 revealed that firms’ book value, earning per share and price-earnings ratio are having a significant positive association with firm’s stock price while dividend yield is having a significant inverse association with the market price of the firm’s stock. It shows a significant effect hence H1 is accepted and H0 is rejected. But the dividend per share doesn’t have positive or negative effect towards the market price. The scope for further study can be extended with other companies and as well as other validating techniques in order to evaluate the system to the next level which can specifically explain the unsolved factors.

References: