

# A STUDY ON INVESTMENT IN SHARES OF STEEL AUTHORITY OF INDIA AND JINDAL STEEL WORKS

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## ABSTRACT:

This study is an attempt to find out the nature of trading, share price movements and various possibilities of investment in the shares of industrial sector. It is expected the results and findings of the study would enlighten the investors in the secondary market as to how they should make their investment decisions. The holders of the shares of industrial sector are also be benefited by this study as to how they can actively participate in the trading of their holding in the secondary market. Stock market is an important pillar of each economy. A trader who is looking to profit from the market has to have faith on the company where he is putting his money. Technical analysis uses price and other similar daily input data, and the fundamental analysts use fundamental data which are normally published on an annual basis or quarterly. Collected data were tabulated and classified into different categories. For the purpose of the study, the researcher was used analysis, averages, percentages and diagrams. The researcher was also used standard deviation and variance for the purpose of compare the two companies in the monthly averages price of the selected unites.

## INTRODUCTION:

Investment is the employment of funds with the aim of getting return on it. In general terms, investment means the use of money in the hope of making more money. In finance, investment means the purchase of a financial product or other item of value with an expectation of favorable future returns. Investment of hard earned money is a crucial activity of every human being. Investment is the commitment of funds which have been saved from current consumption with the hope that some benefits will be received in future. Thus, it is a reward for waiting for money. Savings of the people are invested in assets depending on their risk and return demands.

## INVESTMENT IN RECENT TRENDS:

Investing has been activity confined to the rich and business class in the past. This can be attributed to the fact that availability of funds for investment is pre-requisite to development of funds. But, today, we find that investment has become a household work and is very popular with people from all walks of life. Increasing popularity of investment can be attributed to the following factors.

- Increase in working population, large family incomes and consequent higher saving.
- Provision of tax incentives in respect of investment in specified channels.
- Increase in tendency of people to hedge against inflation.
- Availability of large and attractive investment alternatives.
- Increase in investment related publicity.
- Ability of investment to provide income and capital gains.

Investments are both important and useful in the context of present day conditions. Some factors that have made investment decisions increasingly important are:

- Longer life expectancy
- Increasing rates of taxation
- Interest rates
- Inflation
- Income
- Investment channels

In choosing specific investment, investors will need definite idea regarding a number of features, which their portfolio should possess. The features should be consistent with the investor's general objectives and in addition, should afford them all the incidental convenience and advantage, which are possible in their circumstances. The following are the suggested features on the ingredients from which many successful investors compound their selection policies:

- Safety of principal
- Liquidity
- Income stability
- Appreciation and purchasing power stability
- Legality and freedom from care

### **INVESTMENT IN SHARES:**

Investment in equity share is one of the most liquid forms of investment. Market price of the share is one the most important factor which affects investment decision of investors. It is also suggested from the theories that market price of the share depends upon many factors, such as earning per share, dividend per share, payout ratio, size of the firm and dividend yield, management, diversification, etc.,. For predicting share prices there are different approaches. Fundamental approach predicts share price on the basis of financial, environmental and managerial factors, whereas, technical approach takes the help of past trends in predicting future share price. Understanding of the affect of various fundamental variables on share price is very much helpful to various parties such as investors, management, government, etc., as it will help them in taking various important decisions. In developed countries many studies have been undertaken to study the determinants of the share price, but in India there are few studies which have been conducted on this issue. So, in the present study attempt has been made to study the impact of selected accounting variables on the equity prices of Indian companies.

### **EQUITY SHARES:**

Equity shares represent ownership capital. As an equity shareholder, you have an ownership stake in the company. This essentially means that you have a residual interest in income and wealth.

- Blue chip shares
- Growth shares
- Income shares
- Cyclical shares
- Speculative shares

### **RESEARCH METHODOLOGY:**

This study concentrates on the growth profile of the industrial sector. The various possibilities of investment and their impact on the gain or loss resulting from such investment have been taken up. This study is carried on short-term analysis on investment for a period of 2014 to 2018. When the investor exercises the buying option at the lowest price in the first month and exercises the selling option at the highest price in the

same month, the amount of gain or loss in the investment is determined. This has formed the basis of analysis in this chapter. Therefore, the researcher were selected the two iron and steel companies such as Steel Authority of India (SAIL) and Jindal Steel Work (JSW).

### **OBJECTIVES OF THE STUDY:**

- To analyze the performance of selected companies in industrial sector and to predict the future trends in the share prices through Technical Analysis.
- To assist the investors in making investment decisions in Indian industrial Sector.
- To know the growth profile of Steel Authority of India and Jindal Steel Works.
- To analysis and interpretation of short-term investment in Steel Authority of India and Jindal steel works.
- To find out the views of different researcher and author in relation to Indian Stock Market.
- To know the past and current movements in Indian Stock Market.
- To know the future prospects of Indian stock market.
- To help the investors (current and potential) to understand the impact of important happenings on the Indian Stock exchange.

### **SIGNIFICANCE OF THE STUDY:**

An investor in stock has several options before making investment. Such options and opportunities include investment in bonds and common equity. Investment in the shares either in the primary market and secondary market is most attractive option exercised by the investors.

Investment in shares in the secondary market is opted by the investors who prefer to market short – term gain in the stock market.

The investment decision required knowledge, experience, timing, constant research and the appraisal of securities market sectors within the market and individual securities. Investor has to keep trace of the industry. Investors must be familiar with that of only those industries, which he invests, but also, those in which he does not invest, since they might in the future offer attractive outlets for funds. To be successful investor, investors required combining the skills of a professional analysis with those of a portfolio manager not many investors possess that training and or experience to carry out an investment programmer. This study is an insight into the investment decision, which the investors can make in the short run in the shares of industrial sectors.

### **HYPOTHESIS**

The following are the important hypothesis of the study;

- i. There is no significant relationship between the buying option at the lowest price in the first month and selling option at the highest price in the same month.
- ii. There is no significant relationship between the two companies monthly average price.

### **LIMITATIONS OF THE STUDY**

The constraints of the study are;

1. The study was carried out only for a short duration of 5 years.
2. The result of the study may not hold good for investment decision from the long-term investment viewpoints of the investors, as the data were collected for short period.
3. The influence of extraneous factors such as government policies, socio economic and political conditions prevailing at the national and international level have not been taken into account.

## REVIEW OF LITERATURE

**Dheenadhayalan** in his article “No Cheer for Salary Class Tax Payers” published in **SOUTHERN ECONOMIST**, March 15, 2011 concluded that the savings which will be generated from the relaxation in the income tax slabs will not prove to be substantial for the common man in order to counter raising inflation. Therefore the 2011-12 Budget has failed to bring cheer to the Indian individual salary class tax payers as finance minister Pranab Mukherjee did not make any major announcements to impress the segment.

**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.

**Juhi Ahuja (2012)** presents a review of Indian Capital Market & its structure. In last decade or so, it has been observed that there has been a paradigm shift in Indian capital market. The application of many reforms & developments in Indian capital market has made the Indian capital market comparable with the international capital markets. Now, the market features a developed regulatory mechanism and a modern market infrastructure with growing market capitalization, market liquidity, and mobilization of resources. The emergence of Private Corporate Debt market is also a good innovation replacing the banking mode of corporate finance. However, the market has witnessed its worst time with the recent global financial crisis that originated from the US sub-prime mortgage market and spread over to the entire world as a contagion. The capital market of India delivered a sluggish performance.

**Manish.R.Pathak (2013)** in his study entitled “STOCK MARKET SEASONALITY: A STUDY OF THE INDIAN STOCK MARKET” (NSE) observes that day of the week effect and month of the year effect is not noticed in Indian stock market due to the increased volatility, increased awareness among Indian investors, Globalization of Indian Economy, reach of Media, emergence of Derivatives segment and Increase in disposable Income.

**Dr. Pedapalli Neeraja and CMA. Potharla Srikanth (2014)** in their study entitled “ANOMALIES IN INDIAN STOCK MARKET – AN EMPIRICAL EVIDENCE FROM SEASONALITY EFFECT ON BSEIT INDEX” examine the anomalies present in the Indian Information Technology companies stocks and also study the impact of overall Indian stock market conditions on the Information technology companies stocks. The result indicates of Augmented Dickey Fuller test that returns of Indian IT sector stocks are more volatile than the overall Indian stock market. GARCH model disclose that negative returns are observed in IT better during the month of March and April. Similar trend is noticed in BSE during the month of January, July and August.

### ANALYSIS OF INVESTMENT IN STEEL AUTHORITY OF INDIA AND JINDAL STEEL WORKS

**Table – 1: Monthly Average Share Price – A comparison of 2014**

Period 2014	STEEL AUTHORITY OF INDIA			JINDAL STEEL WORK		
	$\bar{X}$	SD	CV	$\bar{X}$	SD	CV
I Quarter	216	13.84	6.41	1221	52.18	4.27
II Quarter	196	13.93	7.11	1230	84.18	6.84
III Quarter	186	1.86	1.00	1249	46.31	3.70
IV Quarter	176	10.82	6.14	1335	75.21	5.63

A comparison of the monthly average price of SAIL and JSW was made consistency of the price was studies. In the first quarter of the year 2014 share price of SAIL was more consistent than the share price of JSW.

In the second quarter, the average share price of SAIL and JSW has come up. However the price of SAIL was more consistent in this period.

In the third quarter the average share price of two companies has again come down. However the share price of SAIL was more consistent in this period.

In fourth quarter these have gone up the share price. However the SAIL share price was pore consistent.

**Table – 2: Monthly Average Share Price – A Comparison of 2015**

Period 2015	STEEL AUTHORITY OF INDIA			JINDAL STEEL WORK		
	$\bar{X}$	SD	CV	$\bar{X}$	SD	CV
I Quarter	152	2.25	1.48	823	51.13	6.21
II Quarter	142	12.35	8.70	863	37.51	4.35
III Quarter	110	11.53	10.53	635	89.35	14.07
IV Quarter	84	10.50	12.54	492	31.26	6.35

A comparison of the monthly average price of SAIL and JSW was made consistency of the price was studies. In the first quarter of the year 2015 share price of SAIL was more consistent than the share price of JSW.

In the second quarter, the average share price of SAIL and JSW has come up. However the price of SAIL was more consistent in this period.

In the third quarter the average share price of two companies has again come up. However the share price of SAIL was more consistent in this period.

In fourth quarter these have gone down the share price. However the SAIL share price was pore consistent

**Table – 3: Monthly Average Share Price – A Comparison of 2016**

Period 2016	STEEL AUTHORITY OF INDIA			JINDAL STEEL WORK		
	$\bar{X}$	SD	CV	$\bar{X}$	SD	CV
I Quarter	88	6.67	7.54	619	82.58	13.34
II Quarter	88	3.11	3.55	604	43.27	7.17
III Quarter	78	2.66	3.41	650	13.60	2.09
IV Quarter	79	1.55	1.97	712	13.22	1.86

A comparison of the monthly average price of SAIL and JSW was made consistency of the price was studies. In the first quarter of the year 2016 share price of SAIL was more consistent than the share price of JSW.

In the second quarter, the average share price of SAIL and JSW has come down. However the price of SAIL was more consistent in this period.

In the third quarter the average share price of two companies has again come down. However the share price of SAIL was more consistent in this period.

In fourth quarter these have gone down the share price. However the SAIL share price was pore consistent.

**Table – 4: Monthly Average Share Price – A Comparison of 2017**

Period 2017	STEEL AUTHORITY OF INDIA			JINDAL STEEL WORK		
	$\bar{X}$	SD	CV	$\bar{X}$	SD	CV
I Quarter	72	10.77	14.91	708	97.86	13.18
II Quarter	43	3.79	7.09	647	13.48	2.08
III Quarter	40	3.80	9.39	498	25.53	5.13
IV Quarter	59	7.61	12.87	814	75.87	9.32

A comparison of the monthly average price of SAIL and JSW was made consistency of the price was studies. In the first quarter of the year 2017 share price of SAIL was more consistent than the share price of JSW.

In the second quarter, the average share price of SAIL and JSW has come down. However the price of SAIL was more consistent in this period.

In the third quarter the average share price of two companies has again come up. However the share price of SAIL was more consistent in this period.

In fourth quarter these have gone up the share price. However the SAIL share price was pore consistent.

**Table – 5: Monthly Average Share Price – A Comparison of 2018**

Period 2018	STEEL AUTHORITY OF INDIA			JINDAL STEEL WORK		
	$\bar{X}$	SD	CV	$\bar{X}$	SD	CV
I Quarter	57	4.51	7.88	849	153.92	18.13
II Quarter	73	11.07	15.15	1091	162	14.85
III Quarter	76	6.83	9	1137	188.55	16.59
IV Quarter	74	4.66	6.33	1082	172.85	15.98

A comparison of the monthly average price of SAIL and JSW was made consistency of the price was studies. In the first quarter of the year 2018 share price of SAIL was more consistent than the share price of JSW.

In the second quarter, the average share price of SAIL and JSW has come up. However the price of SAIL was more consistent in this period.

In the third quarter the average share price of two companies has again come up. However the share price of SAIL was more consistent in this period.

In fourth quarter these have gone down the share price. However the SAIL share price was pore consistent.

## FINDINGS, SUGGESTIONS AND CONCLUSION

In this chapter represents the findings of a periodical analysis of investment in the shares of **STEEL AUTHORITY OF INDIA** and **JINDAL STEEL WORKS**. The analysis has been carried out the monthly basis. When the investor exercise the buying option at a lowest price in the month, the amount of gain/loss in the investment is worked out statistical tool of gain loss percentage.

- In the year of 2014 it may be understood that an investment of Rs.2321.90 in the SAIL share would yield a gain of Rs.382.65 and the gain percentage work out to 16.48%.
- In the year of 2014 it may be understood that an investment of Rs.12742.90 in the JSW share would yield a gain of Rs.2365.05 and the gain percentage work out to 18.56%.
- In the year of 2015 it may be understood that an investment of Rs.1462.05 in the SAIL share would yield a gain of Rs.273.40 and the gain percentage work out to 18.70%.
- In the year of 2015 it may be understood that an investment of Rs.8438.85 in the JSW share would yield a gain of Rs.2129.10 and the gain percentage work out to 25.23%.
- In the year of 2016 it may be understood that an investment of Rs.1462.05 in the SAIL share would yield a gain of Rs.273.40 and the gain percentage work out to 18.70%.
- In the year of 2016 it may be understood that an investment of Rs.7752.80 in the JSW share would yield a gain of Rs.1509.15 and the gain percentage work out to 19.47%.
- In the year of 2017 it may be understood that an investment of Rs.675.80 in the SAIL share would yield a gain of Rs.141.20 and the gain percentage work out to 20.89%.
- In the year of 2017 it may be understood that an investment of Rs.8003.70 in the JSW share would yield a gain of Rs.1652.40 and the gain percentage work out to 20.65%.
- In the year of 2018 it may be understood that an investment of Rs.839.65 in the SAIL share would yield a gain of Rs.207.45 and the gain percentage work out to 24.71%.
- In the year of 2018 it may be understood that an investment of Rs.12474.50 in the JSW share would yield a gain of Rs.2031.95 and the gain percentage work out to 16.29%.

## SUGGESTIONS AND CONCLUSION

### SUGGESTIONS

The investors are offered with the following suggestions that may serve as a guide to refresh their attitude in it sectors.

1. The STEEL AUTHORITY OF INDIA should stabilize the price movements of its shares. This will implement as sense of confidence in the trading behavior of its investment
2. The investor should be updated with the current scenario of the industrial sectors.
3. Considering the monthly and yearly trading, the fluctuations in the price movements of JINDAL STEEL WORKS were stable, thus accounting for the highest percentage of gain during 2016-2017 therefore investors may suggest investing in the shares of JSW as they are assured of the consistency in the trading of these shares.
4. The government should also take necessary steps to motivate the share holders and by ease the Demating and share trading procedures.

### CONCLUSION

An investor, who is interested in making investment in company shares, can very well prefer two STEEL AUTHORITY OF INDIA and JINDAL STEEL WORKS for investment. While comparing investment in SAIL and JSW investment in JSW was more attractive and consistent.

The percentage of gain in the investment of SAIL share was fluctuate from 16.48 to 24.71 during 2014 – 2018 the percentage of gain in the investment of JSW share was fluctuate from 16.29 to 25.23 during 2014 – 2018 . According to the **World Steel Dynamics** in report in the year of 2017 **Jindal steel works** occupied 1<sup>st</sup> rank in the share market; **Steel Authority of India** occupied 2<sup>nd</sup> rank in the share market.

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