Study on Risk and Return Analysis of Equity Shares with Special Reference Telecommunication (NSE) Stock

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Abstract

Securities exchange examine is fundamental to great money related and venture basic leadership. It will have the capacity to decide the market cost and exchanging volume for the stock, high and low cost for the stock over various periods and the profit for the media transmission. To determine the correct decision of a security or portfolio to a financial specialist, it relies upon the level of hazard that the stock conveys. An estimation of the hazard return profile of a security or portfolio is a vital viewpoint in speculation administration. The share trading system research will enable one to evaluate the conceivable danger of a stock against the conceivable prizes the stock may offer. It will help the partners to take fitting choice with respect to the season of speculation, skyline of venture, quantum of venture and even portfolio choice.

Index Terms: Risk and returns and t-test

1. INTRODUTION

The Risk and return analysis is important to equity shares investors in the share market. The need of equity shares at the time of preliminary stage of telecommunication to raising fund for establish company and starting a business. The equity share holder is an actual owner of telecommunication. The risk and return analysis is main function of this project. The meaning risk and return as follows: Risk - risk refers to the possibility that the actual outcome of an investment will differ from expected outcome. More specifically, most investors are concerned about the actual outcome being less than the expected outcome. There are many sources of risk i.e. business risk, market risk, interest rate of risk. Return – return is representing the reward for undertaking investment. The returns of an investment consist of two components as under: - 1) Current return 2) Capital return. In this project risk and return calculated using various techniques. The return is calculate using return, mean and risk is calculate using co-variance, standard deviation, (using statistical methods).The rate of equity shares has not fixed. The rate of equity shares of particular telecommunication is change at every time. The equity share holder either can earn profit or can take risk. This situation is not fixed and hence, here need of risk and return analysis project. In this project

selected one sector that is Telecommunication (telecommunication NIFTY)   from National Stock Exchange of India (NSE). NSE is the third ranked in the world located at Mumbai. Telecommunication nifty is a one type of indices of national stock exchange. There are more than twenty indices in the national stock exchange. The rate equity shares of three Telecommunication has been consider and calculated in telecommunication nifty the top three telecommunication are the idea cellular reliance Tata Docomo.

2. OBJECTIVE OF THE STUDENT

- To calculate the risk and return of the selected telecommunication stocks
- To co-relate the firms risk and return and state which is the best firm among these selected firms

3. REVIEW OF LITERATURE

Grewal S.S and Navjot Grewall (1984):   revealed some basic investment rules and rules for selling shares. They warned the investors not to buy unlisted shares, as Stock Exchanges do not permit trading in unlisted shares. Another rule that they specify is not to buy inactive shares, ie, shares in which transactions take place rarely. The main reason why shares are inactive is because there are no buyers for them. They are mostly shares of companies, which are not doing well. A third rule according to them is not to buy shares in closely-held companies because these shares tend to be less active than those of widely held ones since they have a fewer number of shareholders. They caution not to hold the shares for a long period, expecting a high price, but to sell whenever one earns a reasonable reward.

Preethi Singh3 (1986): disclosed the basic rules for selecting the company to invest in. She opined that understanding and measuring return risk is fundamental to the investment process. According to her, most investors are 'risk averse'. To have a higher return the investor has to face greater risks. She concludes that risk is fundamental to the process of investment. Every investor should have an understanding of the various pitfalls of investments. The investor should carefully analyse the financial

statements with special reference to solvency, profitability, EPS, and efficiency of the company.

Jack Clark Francis2 (1986): revealed the importance of the rate of return in investments and reviewed the possibility of default and bankruptcy risk. He opined that in an uncertain world, investors cannot predict exactly what rate of return an investment will yield. However he suggested that the investors can formulate a probability distribution of the possible rates of return. He also opined that an investor who purchases corporate securities must face the possibility of default and bankruptcy by the issuer. Financial analysts can foresee bankruptcy. He disclosed some easily observable warnings of a firm's failure, which could be noticed by the investors to avoid such a risk.

Suresh G Lalwani (1999) emphasized the need for risk management in the securities market with particular emphasis on the price risk. He commented that the securities market is a 'vicious animal' and there is more than a fair chance that far from improving, the situation could deteriorate.

Akash Josh (2000) reviewed the utility of derivatives in reducing risks. He opined that derivatives allow an investor to hedge or reduce risks. But they tend to confound investors due to their esoteric nature. The leverage that the derivatives offer to any trader, investor or speculator is tremendous. By the use of derivatives the volatility of the market also gets neutralized. He concluded the article by stating that while the discerning one stands to gain from it, a person who fails to read it right could land up burning his fingers.

Sangeetha and Dheeraj (2007) studied the risk return relation using market and accounting based information and found that risk computed on the basis of accounting information was not significantly captured by the market but financial risk had significant influence.

L.C.Gupta8 (1992) revealed the findings of his study that there is existence of wild speculation in the Indian stock market. The over speculative character of the Indian stock market is reflected in extremely high concentration of the market activity in a handful of shares to the neglect of the remaining shares and absolutely high trading velocities of the speculative counters. He opined that, short- term speculation, if excessive, could lead to "artificial price". An artificial price is one which is not justified by prospective earnings, dividends, financial strength and assets or which is brought about by speculators through rum ours, manipulations, etc. He concluded that such artificial prices are bound to crash sometime or other as history has repeated and proved.

4. REASERACH METHODOLY

The present study has been conducted to find out a solution for the problem "A study on Equity shares of selected Tele-communication in national stock exchange". Thus, an analytical research design has been used in this study

5. DATA COLLECTION METHOD

Primary data

Generally data can be classified in primary data and secondary data.

Secondary data

My study totally depends on secondary data only. Secondary data is data which is collected through various sources like: Newspapers, journals magazine, BSE, NSE, Government Annual progress report, etc. Web sites: yahoo finance .in. www.nseindia.com

Time period

Every research work is always limited by shortage of time and resources. Therefore, under the study, share prices of selected companies from Jan, 2014 to Dec 2016 were analyzed by the researcher with the help of mean, variance, standard deviation, , and T-test.

Hypothesis

Hypothesis refers to the assumption which is made about the sample before reading the final result. It gives the direction for the whole project of the research. In our study, the hypotheses
Which have been adopted given blow:-

H0: There is no significance difference between stocks return of selected companies.

H1: There is significance difference between stock return of selected companies.

Statistical methods

To test the hypothesis and to meet the objectives of the Study, raw data were treated with different kinds of analysis. For carrying out the analysis the different types of tests were used like t-test and to know the equity of unit of sample mean and standard deviation were used. It may be clarified that the confidence level of probability to accept the Hypothesis fixed for T-test was 0.05.

6. DATA ANALYSIS AND INTERPRETATION:

Descriptive statistics

	Tata	Idea	Reliance
Standard deviation	0.117128724	0.116964489	0.119833212
mean	-0.00329221	-0.00605578	-0.02871867
varaiance	0.013719138	0.013680692	0.014359999
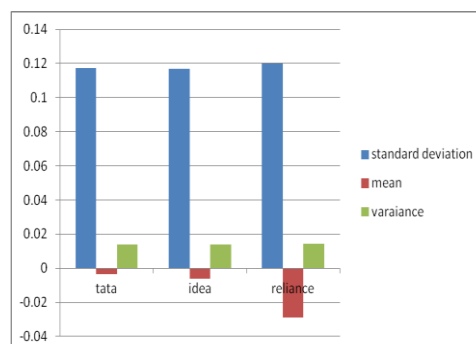
Interpretation: Standard deviation is the high profit in the reliance when compare to the idea and Tatadocomo Deviation in the stock return is more in the reliance communication when campare to the idea and Tata docomo Mean in the stock risk is high in the reliance communication when to the idea and tata docomo

T-TEST (TATA AND IDEA)

t-Test: Paired Two Sample for Means		
	TATA	*IDEA*
Mean	-0.003292211	-0.006055781
Variance	0.013719138	0.013680692
Observations	37	37
Pearson Correlation	0.154796994	
Hypothesized Mean Difference	0	
Df	36	
t Stat	0.110462999	
P(T<=t) one-tail	0.456327862	
t Critical one-tail	1.688297694	
P(T<=t) two-tail	0.912655725	
t Critical two-tail	2.028093987	

T –TEST (IDEA AND RELIANCE)

t-Test: Paired Two Sample for Means		
	IDEA	*RELIANCE*
Mean	-0.006055781	-0.028718666
Variance	0.013680692	0.014359999
Observations	37	37
Pearson Correlation	0.168783254	
Hypothesized Mean Difference	0	
Df	36	
t Stat	0.902924867	
P(T<=t) one-tail	0.186283985	
t Critical one-tail	1.688297694	
P(T<=t) two-tail	0.37256797	
t Critical two-tail	2.028093987	

Interpretation

From the t-test, it is observed that calculated value of t   for operating activities I (0.110462999) is less than the table value (2.028093987). The hypothesis is accepted. Its means that there is no significant difference between the means of operating activities of selected telecommunication

Interpretation:

From the t-test, it is observed that calculated value of t for operating activities I (0.902924867) is less than the table value (2.028093987). The hypothesis is accepted. Its means that there is no significant difference between the means operating activities of selected companies

T-TEST (RELIANCE AND TATA)

t-Test: Paired Two Sample for Means		
	reliance	*Tata*
Mean	-0.028718666	-0.003292211
Variance	0.014359999	0.013719138
Observations	37	37
Pearson Correlation	0.558902246	
Hypothesized Mean Difference	0	
Df	36	
t Stat	-1.389490903	
P(T<=t) one-tail	0.086609027	
t Critical one-tail	1.688297694	
P(T<=t) two-tail	0.173218054	
t Critical two-tail	2.028093987	

Interpretation:
From the t-test, it is observed that calculated value of t for operating activities I (-1.389490903) is less than the table value   (2.028093987). The hypothesis is accepted. Its means that there is no significant difference between the means of operating activities of selected companies

7. FINDING

From the study it was observed that the mean of Tata DoCoMo, Idea and Reliance is high in the Reliance communication. Whereas standard deviation of Reliance and Tata DoCoMo is high when compare to the idea cellular. Hypothesis testing shows that there is no significant difference between Tata DoCoMo, idea cellular and Reliance communication

8. Conclusion

With the above study it can now be concluded that equity analysis is an effective analysis to measure the risk on   financial instruments. This study also infers that, more wise Investment decision can be taken by investors with the help of a study on equity shares of selected telecommunication in national stock exchange in the share prices, because it

 Analyzes the security on the basis of range of price fluctuation of a security. But it should not forget that actual share price are influenced by many factors as such- internal Information, inflation other factors, and etc. So, decisions relating to buy and sell of securities should not take only on the basis of equity analysis.

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