

A COMPARATIVE ANALYSIS OF SHARE PRICE VOLATILITY AND IDENTIFYING THE MARKET RISK OF TOP FIVE PHARMACEUTICAL INDUSTRIES – AN INVESTOR'S PERSPECTIVE

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ABSTRACT

The ultimate aim of the human beings is want to be rich, to satisfy their needs and wishes. But scarcity definition is clearly there are always scarce resources, therefore we have chances of alternative. Here the researcher would like a made a simple attempt to find the alternative venue to enhance the resource called money. This attempt will help the people who have just entered the market. This will gives the basic clarity on the simple analysis to investor as well as speculator, introspect themselves before going for investment. The standard deviation and Beta which will explain what is happening in the market and its impact on the particular companies share value. This also makes the investors comfort in prioritizing and apportioning the savings to create more wealth. It also gives an awareness of the how the market is steep as well as the deep in the wealth creation.

Key Words: Investors, Market risk, Returns, Risk, Volatility.

I. INTRODUCTION

The market is the potential area to get rich with in a short span of time. Even though there are various venues of investment, it is no doubt market is compensating more than others. Still the participants are not comparatively low in the Indian scenario. The factor behind the low number is nothing but the fear. It is a fear of risk. If they are aware of the risk, it is the wonderful place to earn. It is not mean that the other investment opportunities are less risky. It is the investor preconceive notion that the market will swallow all my investments. The question arising here is whether the investor perception is really correct? The obviously the answer will be Yes, there are chances are more to earn and learn as well. The idea behind the learn is nothing but study of market movements and to be aware that the same market is having the equal chances of hedging opportunities also. In simple, the market is the risky place, whereas the same market is having the solution for the risk. The market is not only a

place of individual growth, it in cycle will leads to the economic development as well. . In the current scenario we are comparing the market indexes with the GDP growth rate. Now in the growing market the fluctuating is also highly volatile. The increasing in the oil prices, dollar vs rupee, other global financial policies are making the market more volatile. And demand and supply of long term capital, FDI venues, etc are giving the greater chances to get a fruitful return. Here are the opportunities lies for gaining in the speculation for the speculators and arbitrage. There are various external factors like economy, political stands, trade policies legal compliances, interest rates , repo rates, reverse repo rates , foreign policies etc., and there are equal chance to the internal factors as well like board of directors, management policies, dividend decisions, future profit earning capacity etc. which will affect the prices of shares. Now the markets are analyzed with the Psychological aspect also.in the behavior finance clearly states what the personal aspects are which affects the buying of investments. India like countries always rich in culture same time sentiments also.

II. LITERATURE REVIEW

Jayshree M (2010) is focused on the share price volatility and derived the returns. In that returns the researcher identifies the averages and negative returns. In those negative returns the researcher identifies the frequencies of the negative returns. With the frequency we come to know the risk. This paper will be the good eye opener for the beginners.

Robert A. Olsen (2012), the paper is clearly portrays the relationship between the perception of risk and return. Here the author is explaining the statistical measures of risk are unlikely to capture the market volatility. Here it is proved that the risk and return perceptions are vary inversely against the market volatility.

T.D.S.H Dissanayake, D.M.J Wickramasinghe (2016), the researcher believes that the stock volatility is the platform for the investors to take a decisions. The success of the investment lies in the information available about the shares. Here the author analyzed the 30 listed companies and he derived the PE- Ratio and EPS and concluded that it is significant at the 1% level.

Sameer Yadav (2017). According to this author he analyzed the risk and return and the factors affecting the risk and the return. This paper will gives an idea of overall market performance and it helps us to understand the past, present and future aspects of the market. The researcher is also more concerned with the information of the market and its direction towards the returns.

Lucy F. Ackert Brian F. Smith (1993), the author examines the market efficiency and the income distribution. The comparison between the high volatility and the cash inflow and low volatility and their cash flows. Here the paper portrays even though in the low volatility we have more chances to earn and in the high volatility there are more chances of getting low returns. Therefore the risk what we measuring is not the sufficient to analyses the market and their returns. It is very clear that the measuring of risk will helps for the investment decision but the market conditions are not able to predict very accurately.

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III. RESEAECH DESIGN

Statement of Problem

The share prices are mostly volatile in nature. Therefore, every day the investors will face risk on their investments especially on the expected return and capital appreciation. It is necessary to consider the risk to get linear of expected and actual return. The question arising here is whether there is a linearity with the expected return and actual return?

Objectives of Study

- To identify the share price movements.
- To derive the returns of the shares.
- To analyse the deviations of returns
- To evaluate the risk associated with the returns.

Scope of study

- This study is important to ascertain the fluctuations in the share prices.
- This study will disclose the descriptive analysis on the returns.
- This study will reveal the risk associated with the share price.

Sources of data

The researcher is considering the secondary data for this study. The historical data are collected through the BSE and NSE official websites. In that monthly returns of five years are taken and calculated the returns.

Tools for Data Analysis

The researcher adopts the Descriptive Statistics to analysis and interprets the data. The Descriptive Statistics consist of Mean, Median, Mode, Standard Deviation, Skewness, and Kurtosis.

Limitations

- The secondary data are alone considered.
- The Interpretations are restricted to the time period.

IV. DATA ANALYSIS

SUN PHARMA							
Year	Descriptive Statistics					Co-efficient R^2	BETA
	Mean	Median	Standard Deviation	Skewness	Kurtosis		

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2012	84.4313	78.35	16.0392	1.84414	2.57721	0.3883	0.1377
2013	132.082	131.2	17.11668	0.554	-0.59	0.2547	0.1195
2014	172.062	164.2	17.37171	0.56708	-1.0326	0.6064	0.1917
2015	386.254	386.95	64.92901	-0.6819	2.44169	0.0004	-0.0187
2016	314.637	310.1	33.35588	0.38673	-0.798	0.2399	0.2278

LUPIN

Year	Descriptive Statistics					Co-efficient	BETA
	Mean	Median	Standard Deviation	Skewness	Kurtosis	R ²	
2012	543.077	550.4	48.01996	-0.674	-0.3183	0.7855	0.5862
2013	763.317	785.45	115.783	-0.3663	-1.4267	0.8641	1.4883
2014	1129.01	1037.9	206.116	0.44451	-1.4896	0.8751	2.7318
2015	1794.96	1804.68	156.9613	-0.4553	0.27352	0.2624	1.1209
2016	1578.4	1540.75	117.3151	0.68783	-0.5895	0.4363	1.0846

DR. REDDY LABORATORY

Year	Descriptive Statistics					Co-efficient	BETA
	Mean	Median	Standard Deviation	Skewness	Kurtosis	R ²	
2012	1690.03	1675.6	69.67842	0.68102	0.03906	0.2918	0.5184
2013	2149.51	2163.2	236.0756	-0.0876	-1.3636	0.8814	3.0649
2014	2822.36	2733.1	325.6671	0.69524	-0.292	0.5649	3.4679
2015	3603.92	3487.03	395.8931	0.39661	-1.0781	0.113	1.8554
2016	3112.15	3089.6	158.245	1.31601	2.46746	0.1058	0.7205

CIPLA

Year	Descriptive Statistics					Co-efficient	BETA
	Mean	Median	Standard Deviation	Skewness	Kurtosis	R ²	
2012	344.147	335.8	34.24099	0.62388	-0.6892	0.5884	0.3618
2013	402.075	400.7	17.85166	0.17548	-0.6238	0.0622	0.0616
2014	478.352	432.225	100.8849	0.64377	-1.3251	0.7826	1.2644
2015	663.255	659.725	32.69466	0.16382	-0.2843	0.0328	0.0826
2016	545.447	538.975	39.30202	0.11193	-0.3011	0.0324	0.0987

Year	Descriptive Statistics						Co-efficient BETA
	Mean	Median	Standard Deviation	Skewness	Kurtosis	R ²	
	128.146	115.55	28.37309	1.15216	0.05386	0.5909	0.3004
2013	203.275	186.975	52.85449	2.09576	4.13034	0.4305	0.4796
2014	728.81	704.425	223.8644	0.40112	-0.9551	0.9574	3.1035
2015	1044.96	1088.08	255.9602	0.14575	-1.516	0.4045	2.2694
2016	761.376	764.65	54.5575	-0.424	0.25802	0.001	0.0243

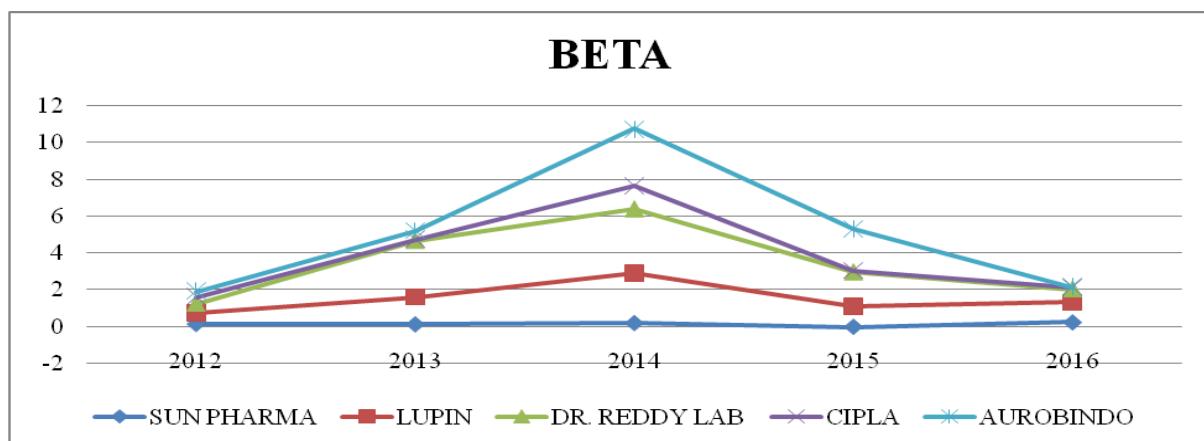


FIG: 4.1

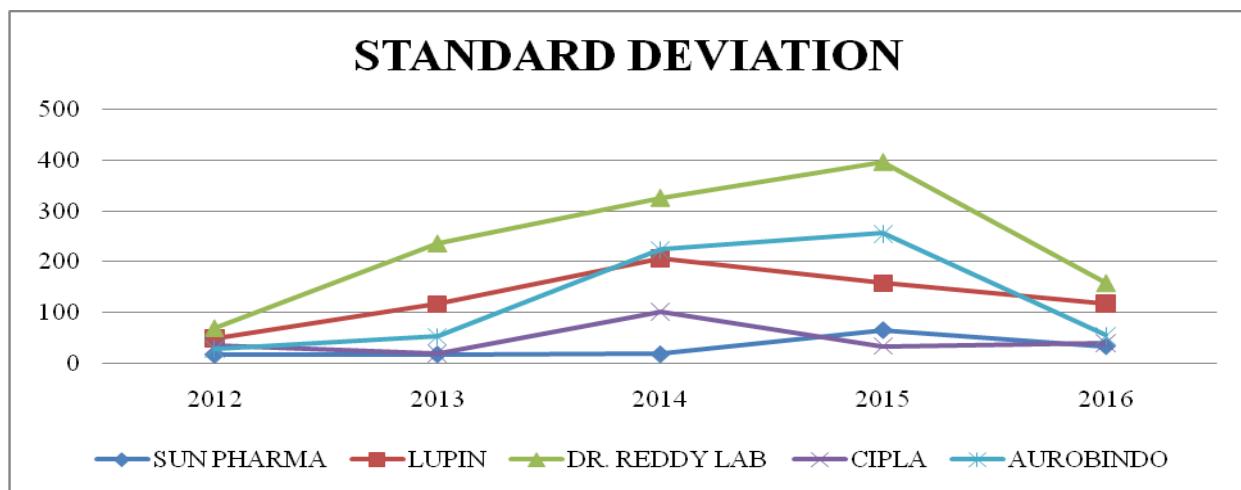


FIG: 4.2

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V. FINDINGS, CONCLUSION, SUGGESTIONS.

SUN PHARMA		
Analysis	Interpretation	Inference
Mean	The value lies between 84.43 and 386.25	Highly Volatile
Median	The value lies between 78.35 and 386.95	Highly Volatile
Standard Deviation	The deviation value lies between 16.04 and 64.93	Risk in return will goes to ± 64.93
Skewness	It is Positively Skewed	Less Risky
Kurtosis	The Kurtosis are Platykurtic	Less Risky
R ²	The co-efficient of determinants are fluctuating	Less risk and less return as well
Beta	Beta value is lesser than 1	Less market risk
LUPIN		
Analysis	Interpretation	Inference
Mean	The value lies between 543.07 and 1794.95	Highly Volatile
Median	The value lies between 550.4 and 1804.67	Highly Volatile
Standard Deviation	The deviation value lies between 48.01 and 206.11	Risk in return will goes to ± 206.11
Skewness	It is Negatively Skewed	Moderate Risk
Kurtosis	The Kurtosis are Platykurtic	Moderate Risk
R ²	The co-efficient of determinants are fluctuating	Moderate Risk
Beta	Beta value is greater than 1	Market risk Prevails
DR. REDDY LABORATORY		
Analysis	Interpretation	Inference
Mean	The value lies between 1690.031 and 3603.9	Very highly Volatile
Median	The value lies between 1675.6 and 3487.02	Very highly Volatile
Standard Deviation	The deviation value lies between 69.67 and 395.89	Risk in return will goes to ± 395.89
Skewness	It is Positively Skewed	High Risk
Kurtosis	The Kurtosis are Platykurtic	High Risk
R ²	The co-efficient of determinants are fluctuating	High risk and high return as well
Beta	Beta value is lesser than 1	High market risk
CIPLA		
Analysis	Interpretation	Inference
Mean	The value lies between 344.14 and 663.25	Highly Volatile
Median	The value lies between 335.8 and 659.72	Highly Volatile
Standard Deviation	The deviation value lies between 34.24 and 100.88	Risk in return will goes to ± 100.88
Skewness	It is Positively Skewed	High Risk

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Kurtosis	The Kurtosis are Platykurtic	High Risk
R ²	The co-efficient of determinants are fluctuating	High risk and high return as well
Beta	Beta value is greater than 1	Market risk Prevails

AUROBINDO

Analysis	Interpretation	Inference
Mean	The value lies between 128.14 and 1044.96	Highly Volatile
Median	The value lies between 115.55 and 1088.07	Highly Volatile
Standard Deviation	The deviation value lies between 28.37 and 255.96	Risk in return will goes to ± 255.96
Skewness	It is Positively Skewed	High Risk
Kurtosis	The Kurtosis are Platykurtic	High Risk
R ²	The co-efficient of determinants are fluctuating	High risk and high return as well
Beta	Beta value is lesser than 1	Market risk Prevails

CONCLUSION

It is a simple attempt to get the awareness of risk and return mechanism. In general the basic understanding is that we cannot avoid the risk , instant we can reduce the risk. There is a saying that higher risk will leads to higher return, in the same since there is an equal chances to get more losses as well. The ultimate conclusion is we even though we have various analysis we cannot predict the market very precisely. It is always better to diversify the investment opportunities. In the diversification we want to segment the investment in low risk, moderate risk and high risk investments.

SUGGESTIONS

- Speculators have more chances when the standard deviation and BETA are high.
- The investors (Risk takers) can select high deviation and high market BETA securities.
- The investors (Risk averse) can select less deviation and less market BETA securities.

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