

Analytical Study On Interim Reporting And Its Impact On Share Market Prices

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INTRODUCTION

The objective of interim reporting is to prescribe the minimum content of an interim financial report and to prescribe the principles for recognition and measurement in a complete or condensed financial statement for an interim period. Timely and reliable interim financial reporting improves the ability of investors, creditors, and others to understand an enterprise's capacity to generate earnings and cash flows, its financial condition and liquidity.

The shareholder is the real owner of the business. He is interested to know the financial position of the business and whether he should hold the shares of the company or sell the shares. Interim reporting is very useful for the shareholders. If one can know the relation that exists between interim reporting and its impact on share price, he can earn a handsome amount of profit. In the present study, an attempt is made to find out the relation between interim reporting and its impact on share market prices.

SIGNIFICANCE OF THE STUDY

The study is significant because it sheds light on the correlation between growth in profit shown in interim reporting with the share market. Ultimately, it will help the investor to take decisions regarding purchase of shares after interim reporting.

OBJECTIVES OF THE STUDY

The main objective of the study is to find out interim reporting and how its financial data affects market price. The other objectives are as follows:

- 1) To know the fluctuating price of the selected companies during pre and post interim reporting during the study period.
- 2) To find out whether interim reporting has any relation with the share market price.
- 3) To find out the overall correlation between growths in profit of the reporting company and growth in the share market price.
- 4) To examine whether investors purchase or sell the shares on the basis on interim reporting data or not.

HYPOTHESIS

H₀: Share market price is not correlated with growth of profit.

RESEARCH METHODOLOGY

Type of Data:

The research is based on secondary data only.

Data Collection Method:

Since the data is based on secondary data, it was collected through newspapers having interim report for the last quarter i.e. 1st October to 31st December 2007.

Population:

Population of the present study is companies registered on the BSE and interim report published in newspapers.

Sampling Unit:

Sample units are companies' reported financial data and its share market prices in BSE.

Sampling Design:

Sample of the study is interim reporting done by the companies registered under BSE and published interim reports in The Economic Times –Ahmedabad edition during 1st January 2008 to 17th January 2008 only.

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Data Measurement and Data Analysis:

As the said study is analytical in nature, related tests are done through Statistical Package for Social Science (SPSS-Version 15) software according to nature of data.

Following companies have published its interim Report during Study Period.

No.	Name of the company	Reporting Date	Net profit of the Current quarter	Net profit of the Corresponding quarter	Growth in Net Profit (%)
1	Shree Cement	10-Jan-08	3503,45	10412,9	-66,35
2	Axis Bank	10-Jan-08	306,83	184,61	66,20
3	Prism Cement Ltd	09-Jan-08	64,45	50,09	28,67
4	Refex Refrigerants Ltd.	08-Jan-08	302,6	205,43	47,30
5	Gruh Finance Ltd	12-Jan-08	10,2	5,25	94,29
6	Harita seating systems Ltd	11-Jan-08	190,16	110,21	72,54
7	S E Investment Limited	16-Jan-08	230,08	276,5	-16,79
8	Monnet Ispat and Energy Ltd	16-Jan-08	42,24	47,89	-11,80
9	Net 4 India Limited	16-Jan-08	197,18	99,88	97,42
10	Apollo Tyres Ltd	16-Jan-08	621,7	350,7	77,27
11	Vikas WSP Limited	16-Jan-08	1732,36	1045,46	65,70
12	Asian Star Company Ltd.	16-Jan-08	1291,6	795,97	62,27

Table-I : List of Sample Companies

ANALYSIS OF SHARE MARKET PRICE FLUCTUATION OF SELECTED COMPANIES

APOLLO TYRES LTD

Reporting Date: 10th January

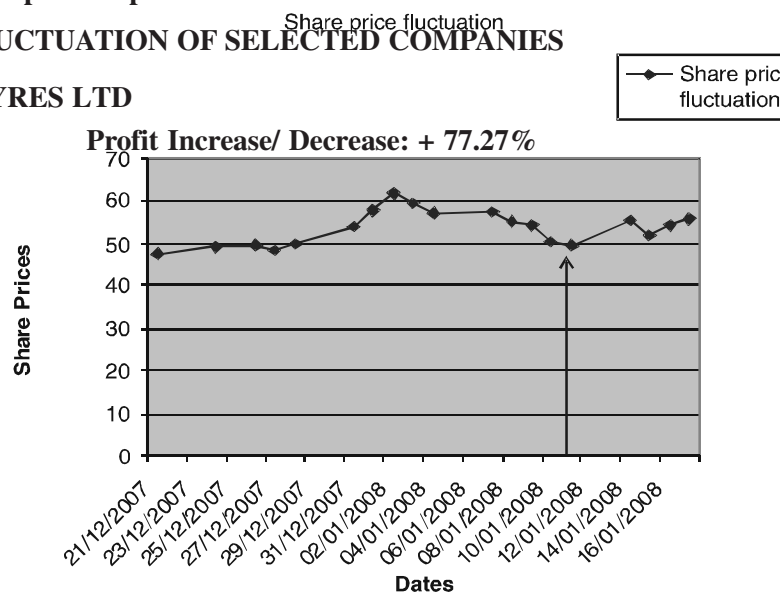


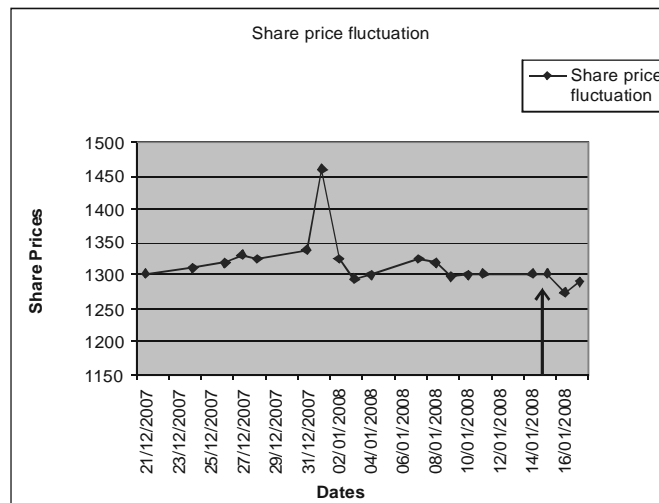
Figure-I

ASIAN STAR COMPANY LTD.

Reporting Date: 16th January

Profit Increase/ Decrease: + 62.27%

Figure-II

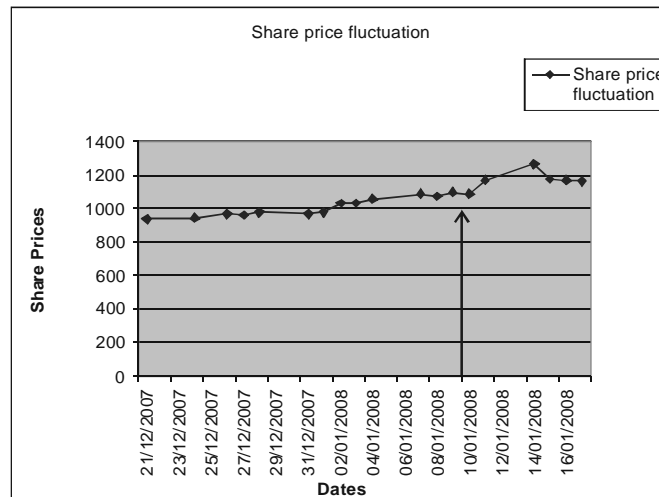


AXIS BANK

Reporting Date: 10th January

Profit Increase/ Decrease: + 66.2%

Figure-III

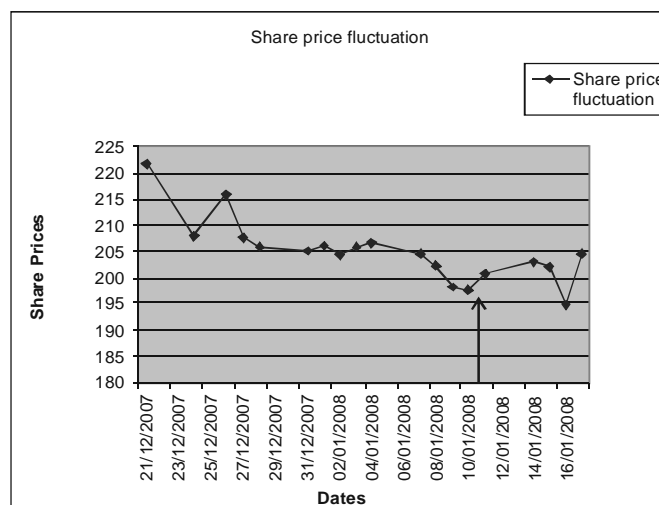


GRUH FINANCE LTD

Reporting Date: 12th January

Profit Increase/ Decrease: + 94.29%

Figure-IV

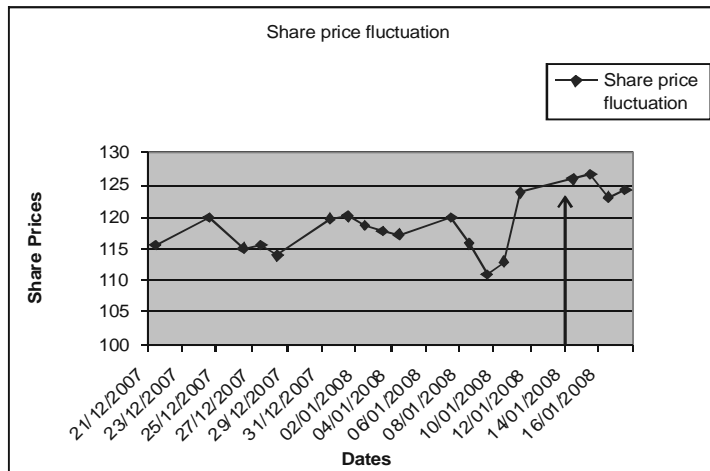


HARITA SEATING SYSTEMS LTD

Reporting Date: 12th January

Profit Increase/ Decrease: + 72.54%

Figure-V

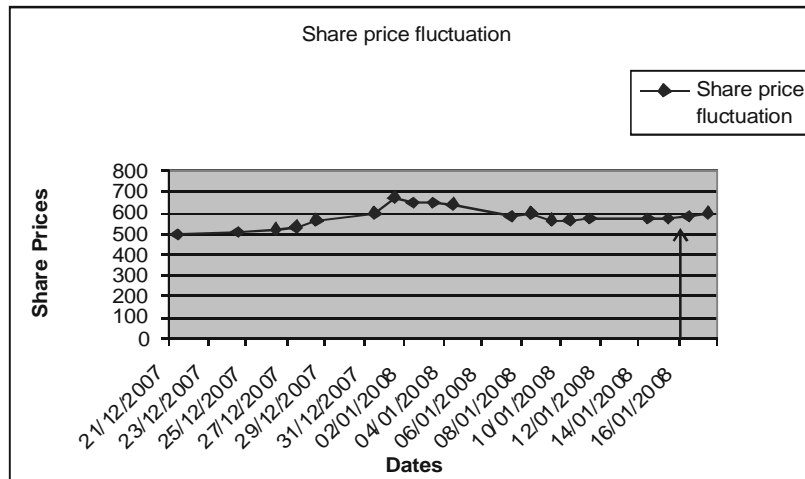


MONNET ISPAT AND ENERGY LIMITED

Reporting Date: 16th January

Profit Increase/ Decrease: -11.8%

Figure-VI

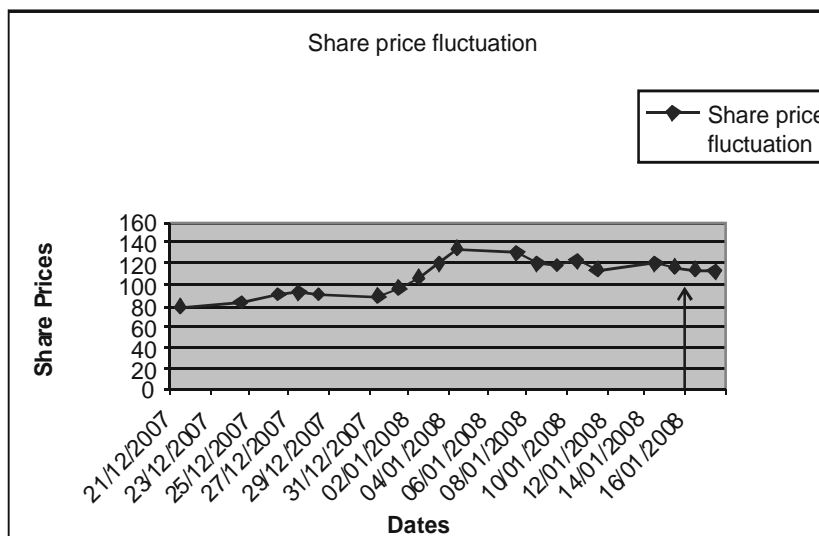


NET 4 INDIA LIMITED

Reporting Date: 16th January

Profit Increase/ Decrease: + 97.4%

Figure-VII

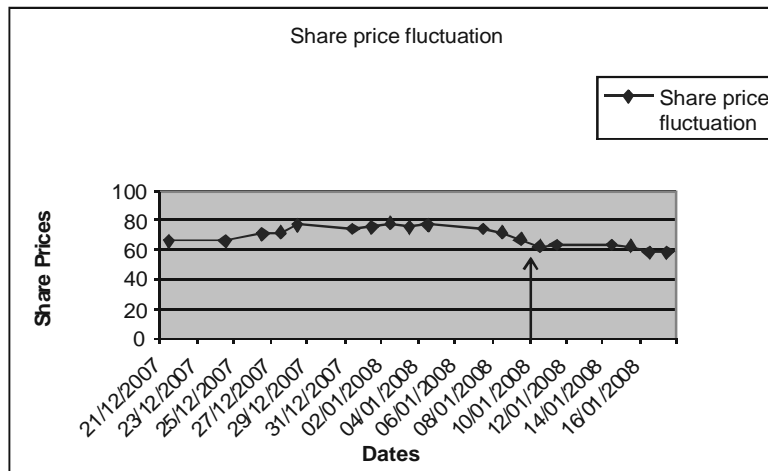


PRISM CEMENT LTD

Reporting Date: 9th January

Profit Increase/ Decrease: + 28.67%

Figure-VIII

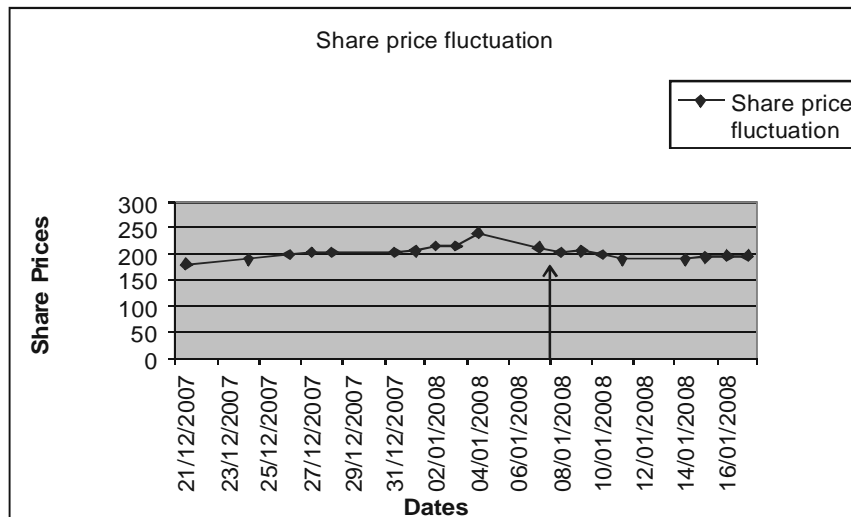


REFEX REFRIGERANTS LTD.

Reporting Date: 8th January

Profit Increase/ Decrease: + 47.8%

Figure-IX

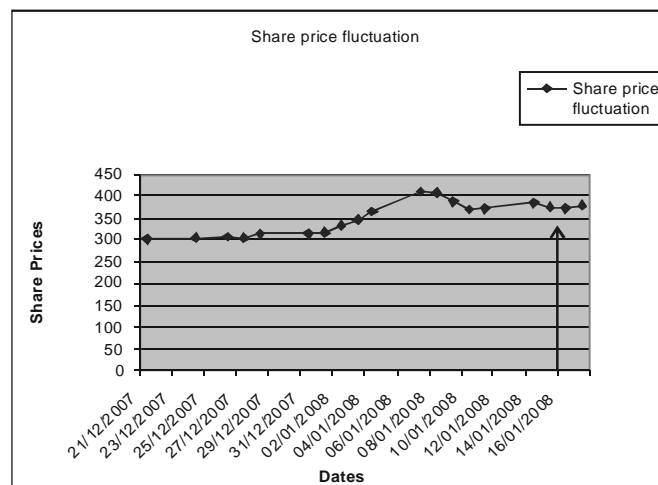


S.E. INVESTMENT LIMITED

Reporting Date: 16th January

Profit Increase/ Decrease: - 16.79%

Figure-X

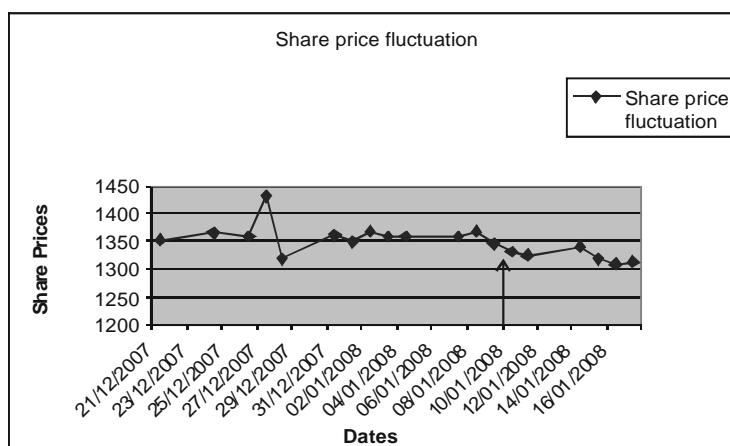


SHREE CEMENT

Reporting Date: 10th January

Profit Increase/ Decrease: - 66.35%

Figure-XI

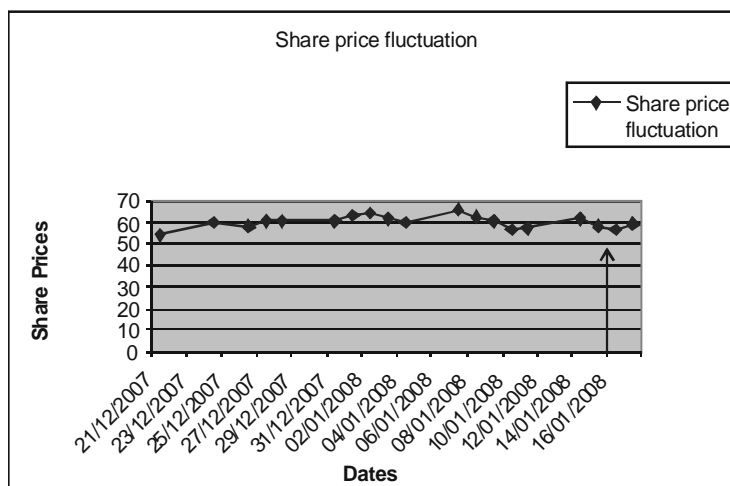


VIKAS WSP LIMITED

Reporting Date: 16th January

Profit Increase/ Decrease: + 65.7%

Figure-XII



From the above data of price fluctuation of share prices, we can see that it is negatively correlated with growth on net profit of the present quarter with the corresponding previous quarter.

Name of Company	Average	Standard Deviation	C.V.
Apollo Tyres Ltd	53.62	4.04	7.54
Asian Star Company Ltd.	1317	7.54	2.89
Axis Bank	1059	2.89	8.95
Gruh Finance Ltd	205	8.95	2.94
Harita seating systems Ltd	120.9	2.94	7.83
Monnet Ispat and Energy Limited	580.8	7.83	8.15
Net 4 India Limited	108.3	8.15	15.16
Prism Cement Ltd	69.17	15.16	9.35
Refex Refrigerants Ltd.	202.5	9.35	6.46
S.E. Investment Limited	331.5	6.46	23.59
Shree Cement	1285	23.59	21.35
Vikas WSP Limited	59.87	21.35	4.82

Table-II : Summary of Sample Companies' Share Market Price

From the Table-II it is found that Asian Star Company and Gruh Finance Ltd have less C.V, so their market prices are consistent as compared to other companies.

Due to crash in share market on the 21st January and 22nd January 2008, data of some companies has not been considered for the study because the data was not normal. So, data relating to companies that have presented their interim report on or before 10th January have been considered for further study.

So for further study, the following companies have been selected.

1) Refex Refrigerates Ltd. 2) Prism Cement Ltd. 3) Axis Bank Ltd. 4) Shree Cement Ltd.

Company Name		Market Price				Net Sales	Net Profit	EPS
		Min.	Max.	Mean	S.D			
Refex Refrigerants Ltd.	Before	180.5	241.75	206.20	15.83	12.72	2.05	0.00
(%)				-4.30		77.75	47.80	255.0
	After	191.05	206.80	197.33	5.41	22.61	3.03	2.55
Prism Cement Ltd.	Before	65.75	78.20	73.17	4.00	214.88	50.09	1.68
(%)				-14.86		21.86	28.67	28.57
	After	58.55	67.40	62.30	3.03	261.85	64.45	2.16
Shree Cement	Before	1317.6	1430.4	1360.73	24.58	1164.81	184.61	6.59
(%)				-2.84		54.73	66.20	43.25
	After	1308.95	1339.3	1322.15	11.51	1802.34	306.83	9.44
Axis Bank	Before	932.10	1095.6	1008.29	56.75	365.35	104.13	29.89
(%)				16.02		43.31	-66.36	-66.34
	After	1086.45	1265.2	1169.78	56.95	523.57	35.03	10.06

Table-III : Comparative Study of Market Price before and after interim reporting.

Table -III shows the price of minimum before and after interim reporting and maximum before and after interim reporting. It also shows the average price of the share for the study period.

Form the Table -3, the following conclusions can be drawn:

- (1) Shares price of Refex Refrigerants decreased by 4.3% on an average even though net profit increased by 47.8%.
- (2) Shares price of Prism Cement Ltd decreased by 14.86% on an average even though net profit increased by 28.67%.
- (3) Shares price of Axix Bank Ltd decreased by 2.84 % on an average even though net profit increased by 66.2%.
- (4) Shares price of Shree Cement increased by 16.02 % on an average even though the net profit decreased by 66.36%.

So, we can conclude that interim reporting definitely helps the investors to track the company's performance and market trend. Here, share prices are not following the growth rate whether positive or negative.

This could be because the results stated in interim report may not be as per the investors' expectation; prices may already be high because of high expectations. Sometimes, speculators, in order to get financial benefits may hike prices before reporting and sell the shares just after financial results.

LIMITATIONS OF THE STUDY

Following are the limitations of the study:

- 1) The study is based on twelve companies only which have presented interim report from 1st April in The Economic Times – Ahmedabad edition only.
- 2) The study period is from 21st December to 17th January 2008 only.
- 3) The sample size is very small; large samples may change the final results.
- 4) The samples were taken randomly; industry wise sample may have a different output.
- 5) The fluctuation of market price is found out by comparing closing market prices with the closing price of the previous trading day. Fluctuation during the trading day is not considered.

BIBLIOGRAPHY

- 1) "Economic Times" – Ahmedabad Edition from 1st January 2008 to 17th January 2008.
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- 3) Rawat D. S. (2006) "Students Guide to Accounting Standards", Taxmann Publication.
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