

A Study On The Influence Of Corporate Actions On Share Prices Of Selected Companies From NSE

**Dr. D. Lazar*

***Pramod G.*

INTRODUCTION

We are daily seeing fluctuations in share prices in the stock markets. These fluctuations are due to various reasons. One of the main causes for the fluctuations in share price is due to the Corporate Actions of companies. These corporate actions can influence the shareholders. Shareholders can take the corporate actions in a positive way or negative way. On the basis of Corporate Actions, the investors make a judgment on the future performance of the companies. On the basis of this judgment, investors buy or sell securities. As a result, fluctuations in the share prices occur. Distributions of dividend/interest, issue of rights/bonus shares, issue of fresh securities by issuers, splits, consolidations, hive-off, warrants, mergers, de-mergers, acquisitions etc. made by the companies are called **corporate actions**. Corporate Actions are essential for all companies. Corporate Actions are necessary for the existence, business strategies, business techniques and for making profits. It is a comprehensive source for understanding a major component of operational processing. The impact of corporate actions are : **a) Return profits to shareholders, b) Influence the share price: c) Corporate Restructuring:** Examples of Corporate Actions are: Announcement to hold Annual General Body Meeting, Bonus issue, Dividend, Financial Results, Increase in Production Capacity, Introduction of New Product, Leadership changes, Meeting of Board of Directors, Mergers & Acquisitions, Net Profit, Shifting of Registered Office and Starting of New Office. An attempt is made in this study to see whether corporate actions influence the share price or not. For this study, 80 companies listed in the BSE were considered and twelve corporate actions were identified. Wilcoxon Matched Pairs Test was used to see the influence of Corporate Actions on Share Prices.

REVIEW OF LITERATURE

Stanley Seigal (Jan., 1996), conducted a study on the divisions of corporations. The study concluded by suggesting appropriate ways of disclosing the results of the division on the financial statements of the corporations involved. Anand M Vijn (Jun., 1994), conducted a study on the spin-off and merger ex-date effects. The study concluded that merger ex date returns are much smaller fraction of the target shareholders gain. Su Han Chan, George .W Gau and Ko Wang (March 1995), conducted a study on stock market reaction to capital investment decisions They concluded that the market reacts negatively to a firm investment decision that results in the firm's production capacity. Peggy M. Lee, (1997) had done a comparative analysis of layoff announcements and stock price reactions in US and Japan. The results showed that layoff announcements triggered negative returns for both US and Japanese firms. James M. Patell and Mark A. Wolfson, (July 1982), conducted a study on the Intraday Timing of corporate disclosures. Samuel H Szewczyk (December 1992), conducted a study on intra industry transfer of information inferred from announcements of corporate security offerings. This study suggests that investors draw inferences about the general prospectus of the industry as a whole rather than shifts in competitive advantage between the announcing firms and its industry competitors. Alexander Hamilton Frey (April 1991), conducted a study on the distribution of corporate distribution of corporate dividends. The study also revealed that the theory of dividend credit is not limited to cumulative and non cumulative preferred shares. P. C. Venkatesh (1989), conducted a study on the impact of dividend initiation on the information content of earnings announcements and returns volatility. He concluded from the study that the volatility of daily returns is lower in the post dividend period. David Yermack (June 1987), studied the stock

**Reader*, Department of Commerce, School of Management, Pondicherry University, Puducherry.

Email: dlazar.com@pondiuni.edu.in

***Research Scholar*, Department of Commerce, School of Management, Pondicherry University, Puducherry.

option awards and company news announcements of Chief Executive Officers (CEOs). He found that the timing of the awards has significant associations with contemporaneous movements in company stock prices. Mark L. Mitchel and Harold Mulherin (January 1994), analyzed the impact of public information on the stock market and found the complexity of relations. Edward H. John Elliot, Dale Morse and Gordon Richardson (1984) conducted a study on the association between insider trading and information announcements. They have concluded with some indication that insiders use private information to generate profits, the vast majority of insiders trading appears to be unrelated to imminent information releases. Yako Amihud and Maurizio Murgia (March 1997) found out that the stock price reaction to dividend news in Germany is similar to that found in US. Kevin F Hallock (September 1998) conducted a study on Layoffs, top executive pay and firm performance. It is found that there is a small negative share price reaction to layoff announcements. Gordon J. Alexander, P. George Benson and Joan M. Kampmeyer (June. 1984) investigated the valuation effects of announcements of voluntary corporate sell offs. The study concluded by suggesting that spinoffs took place after a period of generally positive abnormal returns, suggesting they occur after other favorable information about the firm has been released. Dario Focarelli and Fabio Panetta (Nov., 2003), conducted a study to know that the mergers are beneficial to consumers on the evidence from market for bank deposits. Their conclusion was that market consolidation generates adverse price changes that harm consumers.

DATA AND METHODOLOGY

Eighty Companies representing all industries listed in the BSE are considered for the study. Twelve corporate actions for the period 2002 to 2007 were the basis for analysis. Corporate announcements considered in the study are: Annual General Body Meetings, Bonus issues, Dividend issues, Financial Results Increase in Production Capacity, Introduction of a New Product, Leadership changes, Meeting of Board of Directors, Mergers & Acquisitions, Net Profit announcements, Shifting of Registered Offices, Starting of New Offices etc. The statistical technique used in the study is the Wilcoxon Matched Pairs Test. The study is based on the data collected through Primary and Secondary sources. The Primary data have been collected through interviews made with the senior members, share brokers and dealers of Cochin Stock Exchange and dealers working in Pondicherry Share Broking Firms. The Secondary data on share prices, profile of the industries etc. have been collected from various websites, journals and other relevant publications.

WILCOXON MATCHED PAIRS TEST

This test is also known as Wilcoxon signed rank test. Wilcoxon Matched Pairs test is a non - parametric test alternative to t - test for two related samples. Wilcoxon test takes into consideration both the direction and magnitude of differences between paired values.

PROCEDURE

- a. Compute the differences in the share prices.
- b. Assign ranks for 1 to n to the absolute values of the differences starting from the smallest to largest differences. If the differences are equal in magnitude, a rank equal to the average of ranks that would have been assigned otherwise is given to all the equal differences.
- c. Take the sum of the ranks of the positive and of the negative differences. The sum of positive and negative differences is denoted by $S+$ and $S-$ respectively.
- d. Define Wilcoxon T - statistic as the smallest sum of ranks (either $S+$ or $S-$): $T = \min (S+ \text{ and } S-) = S$. When the number of pairs of values, n is more than 15, the value of T is approximately normally distributed and Z - test statistic is used to test the null hypothesis.
- e. Define null and alternative hypothesis.
- f. See table value of $S \alpha$ for different sample size n . Here the sample size $n (>15)$, then the sampling distribution of T (ie. $S+$ and $S-$) approaches normal distribution with:

Mean $\mu T = n(n+1) / 4$ and Standard Deviation, $\sigma T = \sqrt{n(n+1)(2n+1)/24}$.

Given the level of significance α , Z - test statistic is computed as: $Z = (T - \mu T) / \sigma T$ where n = number of pairs.

g. Check the calculated value with table value (Z table, Two - tail) at 5% significance level. Since the samples used can move in both directions, a two tailed test is the most practical for the purpose of ranking the samples.

DATA PRESENTATION

INTRODUCTION

The name of companies and the date of corporate action are given below for eighty companies listed in the BSE and twelve corporate actions considered in the study. Under each corporate action, ten companies are considered. The corporate actions are presented on the basis of ascending order of their names.

Table 1: Lists of Companies That Have Made An Announcement About Holding An Annual General Meeting

Sl. No	Company Name	Action Date
1	Cipla Ltd.	27-08-2007
2	Dr.Reddy's Laboratories Ltd.	25-07-2007
3	HCL Technologies Ltd.	25-07-2007
4	HDFC Bank Ltd.	27-06-2007
5	ICICI Bank Ltd.	27-07-2007
6	India Infoline Ltd.	17-07-2007
7	Infosys Technologies Ltd.	13-04-2007
8	Punjab National Bank	24-08-2007
9	State Bank of India	07-05-2007
10	Wipro Ltd.	20-07-2007

Table 2: Lists of Companies That Have Made An Announcement About Declaring Bonus Shares

Sl. No	Company Name	Action Date
1	Bharat Heavy Electricals Ltd.	27-01-2007
2	HCL Technologies Ltd.	23-02-2007
3	Housing Development Finance Corporation Ltd.	14-11-2006
4	India Infoline Ltd.	25-05-2007
5	Infosys Technologies Ltd.	12-04-2004
6	Larsen & Toubro Ltd.	28-08-2006
7	Maruti Udyog Ltd.	23-08-2006
8	Oil & Natural Gas Corporation Ltd.	18-11-2006
9	Satyam Computer Services Ltd.	12-10-2006
10	Sterlite Industries (India) Ltd.	21-03-2006

Table 3: Lists of Companies That Have Made An Announcement About Dividends

Sl. No	Company Name	Action Date
1	ABB Ltd.	17-02-2007
2	ACC Ltd.	05-05-2004
3	Glaxosmithkline Pharmaceuticals Ltd.	17-02-2007
4	Grasim Industries Ltd.	21-03-2007
5	Hindustan Petroleum Corporation Ltd.	25-05-2006
6	National Aluminium Co. Ltd.	26-03-2007
7	Punjab National Bank	31-01-2007
8	Reliance Energy Ltd.	25-04-2005
9	Reliance Industries Ltd.	12-03-2007
10	Videsh Sanchar Nigam Ltd.	09-06-2005

Table 4: Lists of Companies That Have Made An Announcement About Financial Results

Sl. No	Company Name	Action Date
1	ACC Ltd.	01-10-2007
2	Bajaj Auto Ltd.	19-10-2007
3	Bharti Airtel Ltd.	15-10-2007
4	Bharat Heavy Electricals Ltd.	30-08-2007
5	Dabur India Ltd.	10-10-2007
6	Infosys Technologies Ltd.	11-10-2007
7	Oil & Natural Gas Corporation	28-08-2007
8	Reliance Industries Ltd.	30-08-2007
9	Steel Authority of India Ltd.	04-10-2007
10	Suzlon Energy Ltd.	24-10-2007

Table 5: Lists of Companies That Have Made An Announcement About Increase In Production Capacity

Sl. No	Company Name	Action Date
1	Agro Tech Food Ltd.	20-7-2006
2	Cairn India Ltd.	11-09-2007
3	Gujarat Narmada Valley Fertilizers	17-04-2002
4	Hero Honda	08-08-2006
5	Hindustan Zinc Ltd.	28-06-2005
6	Monnet Ispant	11-08-2004
7	Prism Cements Ltd.	04-07-2007
8	Rathi Alloys & Steel Ltd.	16-10-2007
9	Srerlite Industries Ltd.	16-11-2006
10	Tata Motors Ltd.	21-05-2004

Table 6: Lists of Companies That Have Made An Announcement About Introduction of New Products

Sl. No	Company Name	Action Date
1	Euro Ceramics Ltd.	20-08-2007
2	Gold Stone Technologies Ltd.	28-09-2007
3	HDFC Bank	13-07-2005
4	Hero Honda	25-20-2006
5	Hindustan Lever Ltd.	02-08-2006
6	India Infoline Ltd.	22-10-2007
7	LIC Housing Finance	25-10-2007
8	Maruti Udyog Ltd.	19-07-2006
9	Navneet Publications Ltd.	23-08-2007
10	NEPC India Ltd.	30-05-2007

Table 7: Lists of Companies That Have Made An Announcement About Leadership Changes

Sl. No	Company Name	Action Date
1	Bata India Ltd.	03-11-2006
2	Cairn India Ltd.	15-10-2007
3	Jaypee Hotels Ltd.	21-09-2007
4	OCL India Ltd.	31-01-2007
5	Pyramid Saimira Theatre Ltd.	17-07-2007
6	Tata Steel Ltd.	20-06-2007
7	Thomas Cook India Ltd.	14-05-2007
8	UTV Software Communications Ltd.	23-10-2007
9	Vesuvius India Ltd.	14-09-2007
10	Zee Entertainment Enterprises Ltd.	02-08-2007

Table 8: Lists of Companies That Have Made An Announcement About Meeting of Board of Directors

Sl. No	Company Name	Action Date
1	Bata India Ltd.	20-03-2007
2	Cairn India Ltd.	18-10-2007
3	India Infoline Ltd.	23-10-2007
4	Jaypee Hotels Ltd.	09-04-2007
5	OCL India Ltd.	30-07-2007
6	Pyramid Saimira Theatre Ltd.	25-01-2007
7	Gold Stone Technologies Ltd.	10-07-2007
8	Thomas Cook India Ltd.	26-10-2007
9	UTV Software Communications	01-08-2007
10	Vesuvius India Ltd.	07-03-2007

Table 9: Lists of Companies That Have Made An Announcement About Mergers & Acquisitions

Sl. No	Company Name	Action Date
1	Bajaj Auto Ltd.	01-03-2006
2	Bharat Petroleum Corporation Ltd.	19-01-2005
3	GAIL (India) Ltd.	05-05-2004
4	Hindaleo Industries Ltd.	08-02-2007
5	ICICI Bank Ltd.	19-05-2005
6	Mahindra & Mahindra Ltd.	02-10-2005
7	Tata Consultancy Services Ltd.	08-11-2006
8	Tata Power Co. Ltd.	06-01-2006
9	Tata Steel Ltd.	31-01-2007
10	Wipro Ltd.	28-09-2006

Table 10: Lists of Companies That Have Made An Announcement About Net Profits

Sl. No	Company Name	Action Date
1	Dr. Reddy's Laboratories Ltd.	22-01-2007
2	HDFC Bank Ltd.	11-01-2007
3	I T C Ltd.	31-01-2007
4	Maruti Udyog Ltd.	21-01-2007
5	Ranbaxy Laboratories Ltd.	29-03-2007
6	Reliance Communications Ltd.	27-01-2007
7	Siemens Ltd.	14-04-2005
8	State Bank of India	23-01-2007
9	Tata Motors Ltd.	23-01-2007
10	Zee Entertainment Enterprises Ltd.	22-01-2007

Table 11 : Lists of Companies That Have Made An Announcement About Shifting of Registered Offices

Sl. No	Company Name	Action Date
1	Adarsh Derivatives Ltd.	09-08-2006
2	Finolex Industries Ltd.	25-06-2007
3	India Infoline	04-07-2007
4	Lotte India Corporations Ltd.	01-06-2007
5	Pyramid Saimira Theatre Ltd.	19-02-2007
6	Ranbaxy Laboratories Ltd.	04-07-2007
7	Reliance Energy Ltd.	12-06-2006
8	Sager Cements Ltd.	13-07-2007
9	Steel Authority of India Ltd.	28-11-2002
10	Thomas Cook India	28-06-2007

Table 12: Lists of Companies That Have Made An Announcement About Starting of New Offices

Sl. No	Company Name	Action Date
1	Cipla Ltd.	14-04-2006
2	DLF Ltd.	11-10-2007
3	Dr. Reddy's Laboratories Ltd.	02-07-2006
4	Everest Industries Ltd.	11-08-2007
5	HDFC Bank Ltd.	08-06-2005
6	Hexaware Technologies Ltd.	13-09-2005
7	Mahindra & Mahindra Ltd.	08-10-2007
8	Maruti Udyog Ltd.	12-06-2007
9	State Bank of India	23-03-2007
10	Union Bank of India	17-10-2007

WORKING MODEL AND INTERPRETATION

Table 13 : Ranks Of Differences Between Two Share Prices Before And After The Announcement Of Annual General Meeting

Difference d = X1 -X2	Absolute Rank	Signal Rank + ve (S+) - ve (S-)
+0.30	1	1
+5.15	4.5	4.5
+2.05	2	2
+6.95	6	6
+8.6	8	8
+7.0	7	7
+41.8	10	10
+5.15	4.5	4.5
+38.0	9	9
-3.80	3	3

$$\sum S^+ = 52 \quad \sum S^- = 3$$

$$\begin{aligned} \mu T &= n(n+1) / 4 \\ &= 10 (10 +1) / 4 \\ &= 10 \times 11 / 4 \\ &= 27.50 \end{aligned}$$

$$\begin{aligned}\sigma T &= \sqrt{n(n+1)(2n+1)/24} \\ &= \sqrt{10(10+1)(2 \times 10+1)/24} \\ &= \sqrt{10 \times 11 \times 21/24} \\ &= \sqrt{96.25} \\ &= 9.81\end{aligned}$$

Applying z- test statistic, we get:

$$z = T - \mu T / \sigma T$$

$$= 3 - 27.50 / 9.81$$

$$= - 2.49$$

Table 14: Results Of Wilcoxon Matched Pairs Test For Corporate Actions Included In The Study

Corporate Actions	S+	ΣS-	μT	σT	z - test
Annual General meeting	52	3	27.50	9.81	- 2.49
Bonus Shares	53	2	27.50	9.81	-2.59
Declaring Dividends	52	3	27.50	9.81	-2.49
Financial Results	52	3	27.50	9.81	-2.49
Increase in Production Capacity	49	6	27.50	9.81	-2.19
Introduction of New Product	49	6	27.50	9.81	-2.19
Leadership Changes	52.5	2.5	27.50	9.81	-2.54
Meeting of Board of Directors	47.5	7.5	27.50	9.81	-2.03
Mergers & Acquisitions	53	2	27.50	9.81	-2.59
Net Profits	53	2	27.50	9.81	-2.59
Shifting of Registered Offices	52	3	27.50	9.81	-2.49
Starting of New Offices	50	5	27.5	9.81	-2.29

From the Table No 14, we can infer that the computed value of z (= -2.49) is greater than the Table Value z (= ±1.96) at $\alpha = 0.05$ level of significance, and the null hypothesis is rejected. It means that there is a change in share price after the Annual General Body Meeting holding announcements. Share prices have slight positive impact for the following companies after the announcement of AGM. They are: Cipla (0.17%), Dr.Reddy's (0.78%), HDFC (0.64), ICICI Bank (0.94%), India Infoline (0.86%), Infosys (1.96%), Punjab National Bank (1.11%), SBI (3.51%) and significantly Wipro had showed a negative trend with a decrease of 7.5% after the announcement for AGM. Announcement for the issue of Bonus share has made positive impact on the share prices of BHEL, HCL, HDFC, India Infoline, Infosys, L&T, Maruti Udyog, ONGC, and Satyam. Whereas in the case of Sterlite Industries (India) Ltd. Bonus issue in the ratio 1:1 made a slight negative impact in the minds of shareholders. A decrease of 0.33% on share price was occurred on the next day. Dividend declaration too has changed the share prices of various companies both positively and negatively. In the case of companies like ABB Ltd. (3.01%), Glaxo (1.39%), Grasim (2%), HPCL (4.02%), NALCO (2.5%), Punjab National Bank (2.5%), Reliance Industries (0.83%), VSNL (0.83%) dividend declaration has had a positive impact and in the case ACC Ltd. (0.5%) and Reliance Energy (0.10%), dividend has had negative impact with marginal decrease in the share price. Announcement of financial results of ACC (1.5%), Bajaj (1.3%), BHEL (1.5%), Infosys (2%), ONGC (3.02%), Reliance Industries (2.55%), Suzlon (1%) has given positive results with the increase in the share prices after such announcements. Whereas shares of companies like Bharti Airtel (1.5%), Dabur India (1.25%), SAIL (2%) have gone down after the announcements.

Nearly for 8 companies the share prices have gone up with higher percentage due the announcement of increase in production capacity. They are: Positive: Agro Tech (9.3%), Gujarat Narmada Valley Fertilizers (2.1%), Hero Honda (2.1%), Hindustan Zinc (9.33%), Monnet Ispat (1.36%), Rathi alloys (4.63%), Sterlite (6%), Tata Motors (6.2%). But for two companies like Cairn India (0.12%), Prism Cements (1.43%), the share prices have done down marginally due

to such announcement. When new products are introduced in the market and announcement is made to the public, it is expected that company's image will go up and share prices will move in tandem. Out of companies considered in the study, two companies share prices have gone down as against eight companies whose share prices have increased. The following are the companies whose share prices increased: Gold Stone Technologies Ltd. (7.5), HDFC Bank Ltd. (0.36%), Hero Honda (1.58%), HLL (1.58%), India Infoline(7.42), LIC(3.54%), Maruti Udyog (1.79), NEPC (2.58%). The companies whose share prices have gone down are: Euro Ceramics Ltd. (4) and Navneet Publications (0.87%), Announcement about the change in leadership has increased the share prices of all the companies considered in the study: Bata India Ltd. (0.21%), Cairn India Ltd. (4.45%), Jaypee Hotels Ltd. (11%), OCL India Ltd. (1%), Pyramid Saimira Theatre Ltd. (0.13%), Tata Steel Ltd. (0.06 %), Thomas Cook India Ltd.(5.1%), UTV Software Communications Ltd. (3.16%), Vesuvius India Ltd. (1.06%) and Zee Entertainment Enterprises Ltd. (0.59%). Increased level is presented within brackets. Board of Directors meeting announcements has made impact on the share prices of those companies on the next day after such announcements. Bata India Ltd. (1.25%), Cairn India Ltd.(3.12%),OCL India Ltd.(1.46%),Pyramid Saimira Theatre Ltd.(1.96%), Gold Stone Technologies Ltd.(1.30%),Thomas Cook India Ltd.(1.61%), UTV Software Communications Ltd.(1.25%) and Vesuvius India Ltd.(2.6%).For two companies such announcement has reduced the prices namely: India Infoline Ltd. (0.22%),Jaypee Hotels Ltd.(0.66%).

Mergers and Acquisitions are expected to give benefits of consolidation. When some companies made an announcement about the proposed M&A, the next day, the share prices increased for Bajaj Auto Ltd.- LIC India (0.12%),Bharat Petroleum Corporation Ltd. - BPCL - KRL (1.46%),GAIL India Ltd. - Egypt's largest city gas distribution(3.3%), ICICI Bank Ltd - Investitsionno - Kreditny Bank(0.95%), Mahindra & Mahindra Ltd.- Two engineering companies (0.84%), Tata Consultancy Services Ltd. -Firm in Australia (0.02%), Tata Power Company Ltd.- Nelco (3.27%), Tata Steel Ltd. - Corus Group(1.63%), Wipro Ltd. - Sweeden based Hydrauto Company made (0.6%) with the hope to have benefits. But only one M&A announcement has resulted in decrease in the share prices namely- Hindalco Industries Ltd. - Novelis Incorporation (0.71%).

Announcement of net results and publication of net profit is expected to show that company is in good form and able to perform better. This will create goodwill for the company. For companies like: Dr.Reddy's Laboratories Ltd.(5.03%)HDFC Bank Ltd.(6.57%), TC Ltd.(0.14%), Maruti Udyog Ltd.(2.9%), Ranbaxy Laboratories Ltd. (1.98%), Reliance Communication Ltd.(2.88%), Siemens Ltd. (2%), Tata Motors Ltd. (3.75%) and Zee Enterprises Entertainment Ltd.(4.48%) profit declaration has increased the share prices. Whereas, for State Bank of India (1.27%), this announcement brought down the prices.

Shifting of registered office from one place to another is expected to have an impact on the investors' mind as if the company is getting out of their control. Some may prefer to come out of the investment and others may like to get into the company due to such transfer. On the next day of announcement, the following companies found their share prices increasing : Adarsh Derivatives Ltd.(3.4%), India Infoline Ltd.(1.61%) Lotte India Corporations Ltd.(1.4%), Pyramid Saimira Theatre Ltd.(5%), Ranbaxy Laboratories Ltd. (2.12%), Reliance Energy Ltd(2.66%), Sagar Cements Ltd(10%), Steel Authority of India Ltd(1.78%) and Thomas Cook India Ltd. (0.72%). This means that investors have started buying these shares in large number. But for Finolex Industries Ltd. (0.9%), such announcement has yielded negative results with marginal decrease in the share prices.

Announcement to start a new office may indicate the well being of companies and catering to the different segment of society. This announcement has made some companies' share prices to go up and for some, it has pulled down the prices. Companies which had increase in their share prices are: Cipla Ltd.(1.23%), DLF Ltd.(5.98%), Dr.Reddy's Laboratories Ltd.(1.31%),Everest Industries Ltd.(7.85%), Mahindra & Mahindra Ltd.(1.66%), Maruti Udyog Ltd.(0.21%), State Bank of India (23%) and Union Bank of India Ltd. (8.24%). Companies like HDFC Bank Ltd. (1.15%), Hexaware Technologies Ltd. (4.02%) saw their share prices go down on the next day of such an announcement.From Table 15,it is seen that 90% of the companies have highest number of positive movements of share prices due to various corporate actions to indicate that whenever changes are taking place, majority of investors are interested to take the situation to their advantage. This is expected to give them increased return. But if the same trend continued, it will reach the equilibrium point by which there will be no use out of such efforts. Only one or maximum two companies have lost their share prices due to such announcement.

Table 15 : Consolidated Statement Showing Number Of Companies That Have An Increase And Decrease In Their Share Prices Due To Various Corporate Actions

Corporate Actions	No. of Companies Whose Share Prices Have Increased	No. of Companies Whose Share Prices Have Decreased	Total Number of Companies
Annual General Body Meeting	9	1	10
Bonus Issues	9	1	10
Dividends	8	2	10
Financial Results	8	2	10
Increase in Production Capacity	7	3	10
Introduction of New Product	8	2	10
Leadership Changes	9	1	10
Meeting of Board of Directors	8	2	10
Mergers & Acquisitions	9	1	10
Net Profit	9	1	10
Shifting of Registered Office	9	1	10
Starting of New Office	8	2	10

CONCLUSION

Corporate actions do play a deterministic role in the share prices as it was evident from the analysis. Through this, it is understood that investors can make buy or sell decision based on the type of corporate actions. Actions like Bonus announcements, Mergers & Acquisition announcements and Net Profit announcements made a severe impact in changing the share prices and therefore investors can plan to sell the shares on the next day of announcement as it will go up (as the calculated value is 2.59). Calculated value of 2.19 indicates the lower or slight impact on share prices. Corporate Announcements like Increase in Production Capacity announcements, Introduction of New Products announcements and Meeting of Board of Directors announcements made a slight impact in changing the share prices and such announcement may not inflate the share prices to a greater extent and, therefore, investor either can plan to continue with the same or plan to buy on the next day of corporate action. Through the study, it is found that corporate actions do play an important role in determining the share prices of majority of companies considered in the study.

BIBLIOGRAPHY

- 1) Alexander Hamilton Frey, *The Distribution of Corporate Dividends*, University of Pennsylvania Law Review, April 1991, Vol. 27, pp. 735-763.
- 2) Anand M. Vijh, *The Spinoff and Merger Ex-date Effects*, The Journal of Finance, Vol. 49, No.2. (Jun., 1994), pp. 581-609.
- 3) David Yermack, *Good Timing: CEO Stock Option Awards and Company News Announcements*, The Journal of Finance, Vol. LII, No. 2, June 1987.
- 4) Douglas J. Skinner, *Why Firms Disclose Badnews*, Journal of Accounting Research, Vol. 32, No. 1., (1994) pp. 38-60.
- 5) Edward H. Bowman, Harbir Singh, *Corporate Restructuring: Reconfiguring the Firm*, Strategic management Journal, Vol. 14, pp. 5-14, 1993.
- 6) Evan J. Douglas, *The Simple Analytics of the Principal-Agent Incentive Contract*, The Journal of Economic Education, Vol. 20, No.1. (1989) pp.39-51.
- 7) Hassan Tehranian, Nickolaos G. Travlos, James F. Waegelein, *The Effect of Long-Term Performance Plans on Corporate Sell-Off-Induced Abnormal Returns*, The Journal of Finance, Vol.42, No.4. (Sep., 1987), pp.933-942.
- 8) James M. Patell and Mark A. Wolfson, *Good News, Bad News, and the Intraday Timing of Corporate Disclosures*, The Accounting Review, Vol. LVIII, No. 3, July 1982.
- 9) John Elliott, Dale Morse, Gordon Richardson, *The Association between Insider Trading and Information Announcements*, The RAND Journal of Economics, Vol. 15, No. 4., (1984) pp. 521-536.
- 10) Kevin F. Hallock, *Layoffs, Top Executive Pay, and Firm Performance*, The American Economic Review, Vol. 88, No. 4., (September 1998) pp. 711-723.
- 11) Mark L. Mitchell, J. Harold Mulherin, *The Impact of Public Information on the Stock Market*, The Journal of Finance, Vol. 49, No. 3, January 1994, pp.923-950.
- 12) P. C. Venkatesh, *The Impact of Dividend Initiation on the Information Content of Earnings Announcements and Returns Volatility*, Journal of Business, 1989, Vol. 62, no. 2.
- 13) Peggy M. Lee, *A Comparative Analysis of Layoff announcements and Stock Price Reactions in the United States and Japan*, Strategic Management Journal, Vol. 18, 879-894 (1997).

(Contd. On Page 38)

programme has reached the investors. It is ,therefore, a matter of paramount importance that the investors are empowered through education on functioning of the market, obligation of the intermediaries like depository participants, the operational intricacies and the risks and pitfalls involved in securities trading.

BIBLIOGRAPHY

- 1.Bhalla V.K. (2003), “Investment Management”, S.Chand and Company Ltd.
- 2.Gupta S.P. (2003), “Statistical Methods”, Sultan chand and sons Ltd.
3. Jack Clark Francis (1991) “Investments: Analysis and Management”, McGraw Hill.
- 4.Kothari C.R., (2001) “Research methodology”, Wishwa Prakashanpan Ltd..
- 5.MY Khan, (2003) “Financial Services”, Tata McGraw-Hill Publishing company.
- 6.Rustagi R.P, (2001)“ Financial Management”, Galgotia Publishing Company.

WEBSITES

- 1.www.nsdl.com
- 2.www.cdslindia.com
- 3.www.nseindia.com

(Contd. From Page 31)

- 14)Peter A. Brous, Vinay Datar, Omesh Kini, *Is the Market Optimistic about the Future Earnings of Seasoned Equity Offerings Firms?*, Journal of Financial and Quantitative Analysis, Vol. 36, No. 2, June 2001 .
- 15) Samuel H. Szewczyk, *The intra Industry Transfer of Information Inferred from Announcements of Corporate Security Offerings*, The Journal of Finance, Vol. XLVII, NO. 5, December 1992.
- 16)Stanley Seigal, *When Corporations Divide: A Statutory and Financial Analysis*, Harvard Law Review, Vol.79, No.3. (Jan., 1996), pp.534-570.
- 17)Su Han Chan, George W. Gau, and Ko Wang, *Stock Market reaction to Capital Investment Decisions: Evidence from Business*, Journal of Financial and Quantitative Analysis, Vol. 30, No.1, March 1995.
- 18)William A. Kracaw, Marc Zenner, *The Wealth Effects of Bank Financing Announcements in Highly Leveraged Transactions*, The Journal of Finance, Vol.51, No. 5., (December 1996) pp.1931-1946.
- 19)Yakov Amihud, Maurizio Murgia, *Dividends, Taxes and Signaling: evidence from Germany*, The Journal of Finance, Vol. 52, No. 1., (March 1997) pp.397-408.