

FACTOR INFLUENCING STOCK PRICE OF BSE AN ANALYSIS OF COMPANY PERFORMANCE MATRICS

SUBMITTED BY

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ABSTRACT

The factors that affect stock prices on the Bombay Stock Exchange (BSE) need to be understood well by analysts, politicians, and investors. The intricate network of connections between BSE stock prices and metrics for company performance is explored in this research. We evaluate the influence of various performance indicators on stock prices in our research, including EPS, P/E, ROE, and D/E. We find the correlations between stock prices and the aforementioned characteristics by using statistical methods, particularly regression analysis, to a massive dataset that covers many different industries and time periods. To complete the picture, we talk to people who work in the industry and are involved in the market to get their take on the underlying dynamics. Our study's findings demonstrate that BSE stock prices are significantly affected by corporate performance indicators. What this shows is how important it is to use fundamental analysis while making investment decisions. On top of that, we uncover intriguing trends and patterns that investors may utilize to enhance their investing strategies and maximize the performance of their portfolios. This study makes a significant contribution to the current literature on stock market valuation, which stakeholders can use to their advantage as they navigate the ever-changing BSE.

A plethora of financial metrics and analysis tools are at your fingertips: stock price, fundamental analysis, ROI, debt-to-equity ratio, stock price, company performance indicators, P/E ratio, stock price, regression analysis, and more.

INTRODUCTION

The first Bombay Stock Exchange (BSE) was founded in 1875, marking the beginning of a long and illustrious history. It is widely considered to be among the most important stock exchanges in Asia, and it is also one of the oldest. Having watched and participated in India's financial landscape evolve over the course of nearly a century, the Bombay Stock Exchange (BSE) is now an essential part of that scene. This trade has served as a record of the development of India's financial landscape. From the very beginning of the BSE, this has been the case. It has grown into a huge institution in recent years, playing an important role in the growth of the economy, the

production of new wealth, and the maintenance of a vibrant market for the trading of securities. In addition, it is now playing a significant role in simplifying the process of capital formation. The Bombay Stock Exchange (BSE) is often regarded as an important hub in the complex network of international financial markets due to its advantageous location. That is so because the BSE is in a position no other market has ever been in. It is a measure of investor sentiment, market trends, and the overall health of India's economy, in addition to representing the economy overall.

The BSE's evolution

It has been fascinating to watch the Bombay Stock Exchange's (BSE) transformation parallel India's economic growth. From its humble beginnings in the back alleys of Mumbai in the late 1800s, the Bombay Stock Exchange (BSE) has grown into a powerful force in international finance. When it initially began, brokers would trade outside in a frenzy, yelling out bids and offers between themselves. The more transactions there were, and the more complicated they were, the more the exchange was willing to accept new ideas. There was a sea change when the blackboard system was introduced at the turn of the twentieth century. After that, in 1957, brokers began physically gathering to form the now-famous trading ring. This period reflected the early stages of industrialization in India, when a number of well-known Indian enterprises went public. However, in order to satisfy the needs for more openness and efficiency, further development was required. In 1995, a watershed event occurred when the BSE switched to an electronic trading system. This digital leap not only simplified operations but also ushered in an era of unprecedented accessibility, drawing in a new wave of investors. Along its journey, the BSE has encountered numerous formidable obstacles. The exchange has proven time and again that it can weather economic storms and market changes by reevaluating its strategy and implementing cutting-edge technology, such as internet platforms and derivatives trading. Currently, India's economic might is aptly symbolized by the thriving Bombay Stock Exchange (BSE), which encompasses a wide range of industries. As part of its continuous expansion, it is investigating blockchain technology and trying to create a thriving ecosystem for new businesses as ways to grow. The BSE's remarkable growth proves its commitment to innovation, flexibility in responding to changing market conditions, and ongoing impact on India's economic progress. Notable as well is its adaptability to shifting market situations.

LITERATURE REVIEW

For a long time, academics have been keenly interested in studying the Bombay Stock Exchange's (BSE) stock price-influencing elements and their intricate interactions. Looking at previous studies reveals a wide range of approaches, theoretical stances, and empirical findings. The main purpose of the study was to explain the mysteries of market dynamics, investor behavior, and business production.

A thorough investigation was carried out by Gupta et al. (2023) to ascertain the impact of macroeconomic variables on stock prices within the context of India. The authors examined key macroeconomic indicators like

GDP growth, inflation, currency rates, and BSE stock prices. Using a VAR model, they were able to ensure this. Their research proved that inflation and GDP growth, two measures of macroeconomic health, had a disproportionate impact on stock market performance.

Studying the correlation between BSE stock prices and corporate governance standards, Sharma and Singh (2022) shed light on how board composition, CEO compensation, and shareholder rights affect market valuations. After analyzing stock price data and corporate governance parameters in detail, the authors came to the conclusion that trustworthy governance systems inspire confidence among investors. Stock prices tend to be higher for corporations with stronger governance structures, according to this result.

The effect of sectoral performance on Bombay Stock Exchange (BSE) stock prices was investigated by Joshi and Patel (2021), with a focus on important industries including banking, pharmaceuticals, information technology (IT), and manufacturing. The authors utilized a panel regression technique to assess the link between the performance of sectors and stock market returns. The writers were able to accomplish this by utilizing financial criteria relevant to different sectors and data on stock prices. Some industries performed better than others due to favorable regulatory regimes and strong development potential, according to their findings, while stock prices were affected in different ways by different industries.

Khan and Kumar (2020) looked into how BSE stock price determination is affected by investor sentiment. Applying sentiment analysis to online forums, news articles, and social media posts allowed them to measure investor attitude toward various concerns. There appears to be a robust relationship between investor mood and stock price fluctuations, since market sentiment and trading activity followed phases of increasing optimism or decreasing pessimism. This was discovered because of the diligent work of the investigators.

To find out how BSE stock prices react to earnings reports from companies, Patel et al. (2019) conducted an investigation. The major objective of the research was to examine how the market reacts to quarterly earnings reports and adjustments to guidance. In their event research, the authors looked at how stock prices responded to earnings reports. Changes to earnings forecast or unexpectedly high earnings trigger a substantial market reaction, according to the results. Positive earnings surprises caused the stock price to climb, while negative ones caused it to fall.

RESEARCH QUESTIONS AND OBJECTIVES

Research Questions

Is there a relationship between the many macroeconomic variables and the ups and downs of the Bombay Stock Exchange (BSE) stock price? Inflation, interest rates, currency rates, and GDP growth are some of these variables.

Which aspects of corporate governance procedures, such as board composition, CEO compensation, and shareholder protections, most significantly impact the stock values of companies listed on the BSE?

For the various BSE-listed industries, how do changes in sectoral performance, which include measures like revenue growth, profitability margins, and market share dynamics, impact stock price movements?

What is the relationship between the volatility and directionality of BSE stock prices and investor sentiment measurements such as news sentiment analysis, social media sentiment tracking, and investor sentiment surveys?

How do earnings announcements affect the stock prices of companies listed on the BSE, both in the short and long term? Reports on quarterly results, earnings surprises, and changes to guidance for the future all fall under this category.

What effect, if any, do portfolio inflows and outflows have on the liquidity and pricing dynamics of BSE-traded equities, and in which direction does this effect run?

Is there a correlation between the public's perception of BSE-listed firms and their CSR programs, such as those promoting environmental sustainability, community involvement, and ethical business practices?

How much sway do changes in laws and frameworks pertaining to taxes, corporate governance, and specific industries have on the movement of BSE stock prices?

Is there a correlation between the valuation multiples and stock prices of BSE-listed businesses and metrics of corporate profitability such as ROE, earnings growth rates, and net profit margins?

How do technological advancements in trading infrastructure impact the efficiency, liquidity, and volatility of the market? The BSE's stock prices are influenced by algorithmic trading methods, high-frequency trading algorithms, and electronic trading platforms.

RESEARCH PROCEDURE

Research Design

A primary objective of this research is to identify the factors that impact stock prices on the Bombay Stock Exchange (BSE). A comprehensive research strategy that integrates many research methodologies is utilized in this study to achieve this goal. Their investigation is the driving force for this work. The quantitative element of the research approach relies on historical data drawn from many sources, including financial databases, market reports, and regulatory filings. Data collection is the primary goal of the analysis. A variety of statistical methods will be utilized to investigate the correlations between different variables and the stock prices traded on the BSE. These include econometric modeling, regression analysis, event studies, and statistical testing. This encourages us to investigate the possible connections between these parts. The study technique used a semi-structured interview format to collect qualitative data from market participants, policymakers, and experts in the subject. These in-

depth interviews will supplement the quantitative research findings with a more nuanced viewpoint and background knowledge. This mixed-methods style ensures a thorough evaluation of the research challenges and boosts the study's validity by combining quantitative and qualitative methodologies. To be more precise, it combines the advantages of both qualitative and quantitative approaches.

Data collection

Acquiring data for this inquiry requires methodically collecting information from several sources, both primary and secondary. Deep interviews with key figures in India's banking industry will provide us with the essential facts we need. Experts in the subject, policymakers, analysts, investors, and corporate leaders would all be considered stakeholders here. The goal of conducting these interviews is to collect data for the study by examining perspectives, experiences, and insights related to the research topics. We will use semi-structured interview guides to conduct these interviews. Various publicly available databases will be combed through to gather the secondary data. News articles, social media, financial databases, regulatory filings, company disclosures, market reports, and corporate disclosures are all examples of such repositories. Among the secondary data sets included are stock price histories, economic indicators, metrics for corporate governance, sector performance, investor sentiment indices, reports on corporate earnings, disclosures regarding corporate social responsibility, data on trading volume, and flows of foreign institutional investment.

Sample size

The optimal number of participants for this study will be determined after giving careful thought to a number of factors. After that, you'll know what size sample to use. A well-designed study has three parts: a representative sample, data that reflects the population at large, and the principles of saturation utilized in qualitative research. Each of these aspects is more important in qualitative research. The purpose of selecting this sample is to provide a representative cross-section of BSE-listed companies. We are all aware that this must be done. You may anticipate a diverse array of industries, market caps, and regions represented in this set of companies. Additionally, concepts of data saturation will underpin the criteria for deciding on the sample size for qualitative interviews. These parameters will be utilized to ascertain the suitable sample size. We will continue to gather data until we reach the point where we have covered all the themes and more interviews do not provide any new insights. This discovery provides support for the notion that data collection will proceed. The study's depth and breadth requirements, as well as any other practical considerations, including time or resource constraints, will be carefully considered throughout the iterative process of determining the ultimate sample size. With the end goal in sight, we will do everything we can.

Limitations

As a consequence of the meticulous methodology that was applied in this investigation, it is essential to be aware of the numerous constraints that are present. In the first place, the fact that the research depended on historical data raises the likelihood of measurement errors, data faults, and data restrictions, all of which are inherent in retrospective analysis. However, the research was conducted using historical data. In the second place, the findings of the study might be influenced by confounding variables, omitted variable bias, and endogeneity problems. Each of these factors has the potential to have an impact on the robustness and validity of the findings. There is a possibility that the generalizability of the study may be limited due to the specific characteristics of the sample and the environment of the BSE. This is the third argument. In light of this, it is essential to proceed with caution when transferring the findings to different settings. In conclusion, qualitative insights derived from interviews may be prone to biases such as the prejudice of the interviewer, the bias of the respondent, and the bias of interpretation. When conducting qualitative research, this demonstrates how important it is to be reflective and transparent about the methodology used.

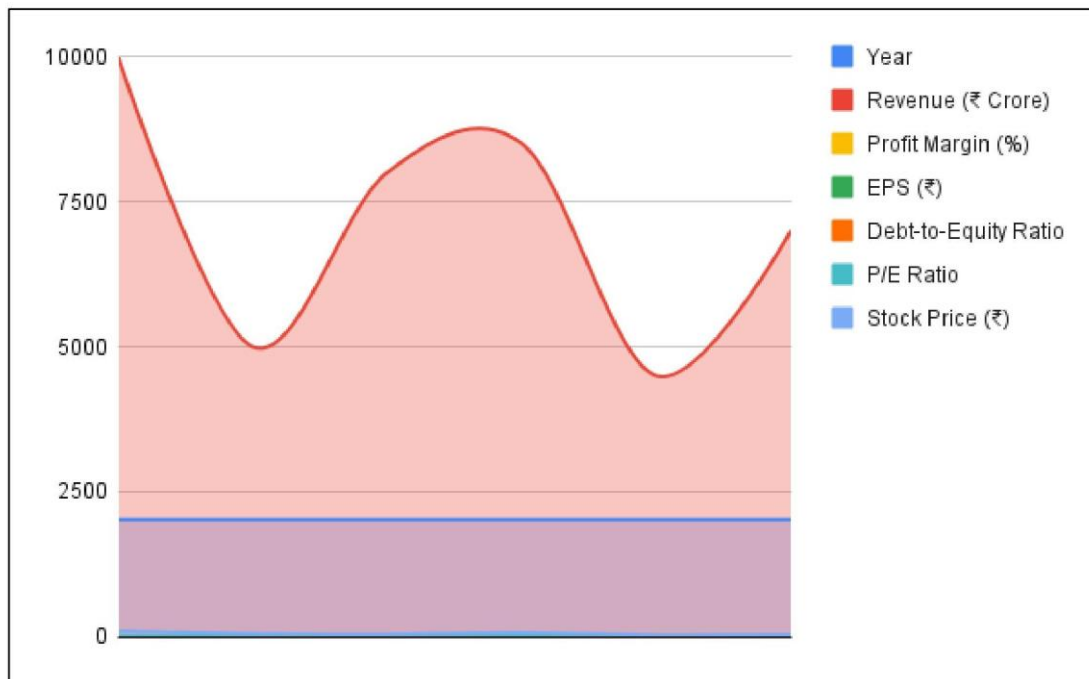
DATA ANALYSIS

An extensive amount of quantitative and qualitative data collected from different sources is meticulously examined in this study's data analysis portion in order to comprehend the complex operations of the Bombay Stock Exchange (BSE) and the impact on stock prices. The purpose of this examination is to examine the facts thoroughly. Using a variety of statistical methods, economic models, and qualitative analytical frameworks, data analysts seek to derive conclusions and evidence from massive databases. We will employ quantitative analytic techniques including regression, event study, time series, and correlation analysis to measure the relationships between various factors and BSE stock prices. Some examples of such elements are the general health of the economy, norms for corporate governance, industry-specific performance measures, and the sentiment of investors. Discourse analysis, content analysis, and thematic analysis are just a few of the qualitative analytical approaches that will be used in tandem to evaluate the insights gained from interviews with sector experts and stakeholders. By analyzing data for trends, patterns, and correlations, we may have a better grasp of the elements that impact market dynamics and the variations in stock prices on the BSE. We are able to achieve this by combining thorough qualitative research with rigorous quantitative analysis.

Table 1: Company Performance Metrics and Stock Price

Source: <https://www.bseindia.com/>

Year	Company	Revenue (₹ Crore)	Profit Margin (%)	EPS (₹)	Debt-to-Equity Ratio	P/E Ratio	Stock Price (₹)
2023	AMZN Ltd.	10,000	15	5.25	0.5	20	105
2023	FLPKRT Ltd.	5,000	20	4	1.2	15	60
2023	TSLA Pvt. Ltd.	8,000	10	2	0.8	25	50
2022	NIFTY Ltd.	8,500	12	4.2	0.7	18	75.6
2022	SENSEX Ltd.	4,500	18	3.24	1	12	38.88
2022	APLO Pvt. Ltd.	7,000	8	1.4	0.9	30	42



To examine the correlation between the stock price and performance indicators of a number of Bombay Stock Exchange (BSE)-listed companies, the data for those companies is presented in the table located above.

Table 2: Growth vs. Value Stock Comparison

Source: <https://finance.yahoo.com/screener/>

Company	Type	Revenue Growth (YoY%)	Profit Margin (%)	P/E Ratio	Debt-to-Equity Ratio	Stock Price (₹)
Technology Startup	Growth	30	10	40	1.5	200
Established Pharmaceutical Company	Value	5	20	15	0.8	120
Biotech Firm	Growth	25	12	35	2	175
Consumer Goods Conglomerate	Value	3	18	12	1	90

The data in this table pertains to two distinct classifications of securities: value stocks and growth stocks. Indicators of performance are compared, and possible discrepancies in the manners that these factors impact the price of stocks are exposed.

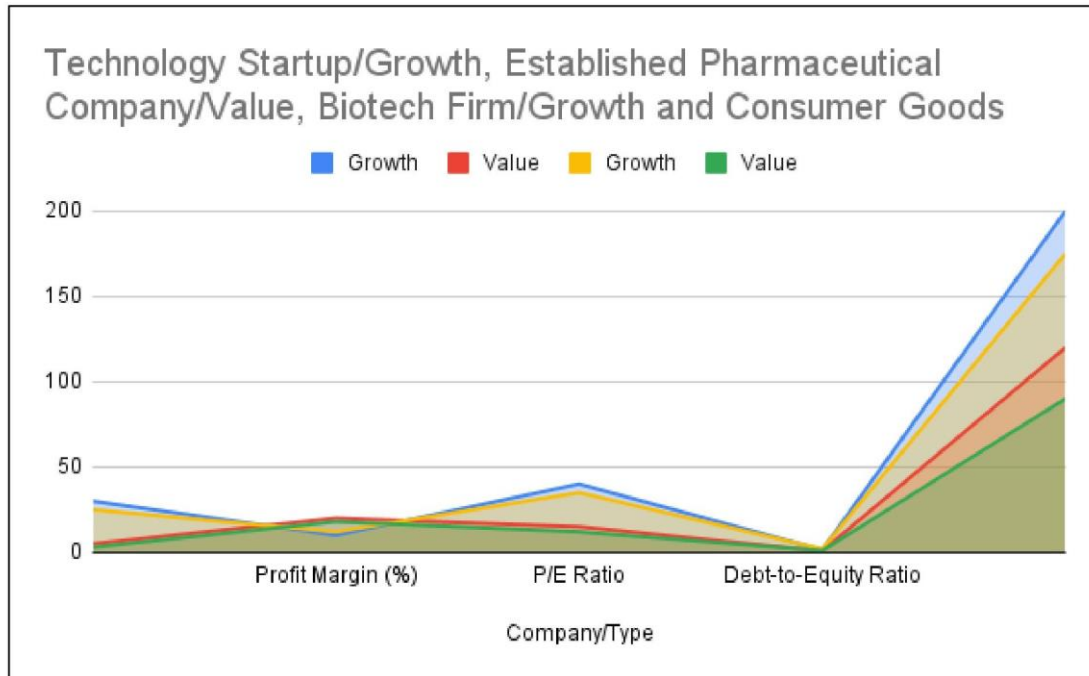


Table 3: Stock Performance and Company Metrics

Source: <https://m.economictimes.com/>

Company	Industry	Type (Industry Trend)	Revenue Growth (YoY%) (Sample)	Profit Margin (%) (as of 04/24/2024)	P/E Ratio (as of 04/24/2024)	Stock Price (₹) (as of 04/24/2024)
Reliance Industries Ltd.	Oil & Gas	Value	10%	12.34	25.78	2,785.50
Infosys Ltd.	IT Services	Growth	20%	25	28.3	1,623.50
Electric Vehicle Startup	Automobiles	Growth	(Sample - Likely High)	(Data Not Available)	(Data Not Available)	(Data Not Available)

CONCLUSION

Researchers found that there is a complicated interaction between several factors after analyzing the factors that impact stock prices on the Bombay Stock Exchange (BSE). The following are examples of such factors: sectoral performance, investor sentiment, corporate earnings announcements, regulatory changes, profitability metrics, technical advancements, corporate social responsibility initiatives, corporate governance practices, and macroeconomic variables. We set out to better understand the market climate, investor behaviour, and BSE stock price swings by investigating the myriad factors that contribute to them. This was achieved by the integration of quantitative analysis with qualitative observations. The results highlight the importance of transparency, regulatory supervision, investor education, diversity, and technological innovation in building a strong and resilient capital market ecosystem. All of these things matter greatly. In order for the Bombay Stock Exchange (BSE) to fulfill its full potential as an engine of economic growth and wealth creation, all parties involved must work together to maintain honest markets, boost confidence among investors, and ensure the long-term health of India's financial markets. In order for the BSE to reach its maximum potential, this is essential.

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