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- Garg, Bhavet (2011): Towards a New Gas Policy, Political Weekly, Viewed on January 01, 2012 <http://epw.in/user/viewabstract.jsp>



**IMPACT OF EARNING PER SHARE ON MARKET VALUE AN EMPIRICAL STUDY WITH REFERENCE TO JK TYRE**

**ROOPA BALAVENU**  
**ASST. PROFESSOR**  
**SJB INSTITUTE OF TECHNOLOGY**  
**BANGALORE**

**UMA DEVI S**  
**STUDENT**  
**SJB INSTITUTE OF TECHNOLOGY**  
**BANGALORE**

**ABSTRACT**

EPS is touted as a vital indicator for company's financial health and determining share prices. Impact of earning per share on market value an empirical study with reference to JK tyres is our research area. The objective of the study is to analyse the impact of EPS on Market price of JK tyre, to understand the relationship between EPS and stock price of JK tyre, to explore the comparative analysis of JK tyre with its competitors. The study explores the relationship between the EPS and its market price of the organization. The analysis is done on the basis of the calculation by doing the comparative analysis of the competitors' shows that the fluctuations in the price of the share. This study is mainly concentrated on EPS how market value is effected in the time of EPS declaration with the help of Mean, Standard deviation correlation, Regression, Annova from SPSS software tool.

**KEYWORDS**

EPS, market price, share, market capitalization, return.

**INTRODUCTION**

EPS is one of the speculation devices to assess the company performance for short term or long term business. The expected income shall be used to work out for the healthy financial conditions of the company. The generated income from the company after meeting all business cost, depreciation and tax belongs to the equity shareholder. The generated income will be alienated as per the outstanding equity share, the same is referred as EPS.

Earning is an important variable it affects the market value of equity share. Earning profits covering the cost of production adds to its preserve and construct the same. Once a company starts earning attractive sum, the equity share will have more and more demand which will result in increase in market value of the equity. In addition, a statistical study is conducted by using SPSS statistical Package for Social Sciences software tool to evaluate the significant level of impact of EPS and its market share price value.

**LITERATURE REVIEW**

**Dr. Pushpa Bhatta and Sumangala.J.K:** According to this study, the cross-sectional time-series data of 50 companies it describes the precise relationship between earning per share of 50 companies and their market value of an ordinary shares. With help of mean median and standard deviation the researcher as find out the relationship between market share and EPS in this paper. The conclusion of this paper to is there is strong relation between EPS of selected companies and their Market value.

**Hemadivya and Dr. V Rama Devi:** The comparison of different company's like TCS, BHEL & ONGC. They focused on the factors effecting impact of EPS like economic perspective, demand and supply, macro-micro and behavior factors. The factors which are impacting in the change when dividend are declared to share holders of the company. Not only has the impact of market value rather than market value had various factors also impacted on EPS in this study. The researcher concludes the study with various factors affect the EPS.

**Dr. Sanjeet Sharma:** In this paper the analyses of EPS being the strongest factors of market value is optimistic so, the researcher devices the investors to take care of earnings per share variable in to account before investing in a any company. Where EPS plays a very important role in investment decisions

**Bal Krishnan:** In this research they deal with correlation and multiple linear regression techniques on 22 firms from 1982 to 1983. Out of 5 variables, EPS remained not important determinant of market value. This is resulting in how dependent variables have relationship on independent in the study.

**Malakar, B. and Gupta, R:** The research deal with the analysis of 8 important cement companies in India over the period of 20years with five variables are EPS, share price, retained earnings and sales proceeds and dividend factor to find out the significant level of share price of the cement companies.

**Dr. Mohammad Fawzi Shubita:** This research is all about the relationship between Economic Value Added and EPS from Manufacturing Corporation companies listed on Amman Stock Exchange. The research of analysts' EPS in this case is significant to know the valuation process in the capital markets. Different analysts used economic value added to review and recommend firms

**Brandon K. Renfro:** In this study they analysis earnings forecast error effect on share price by observe the effect that stock value has to estimate that share value has to forecast errors of EPS. The study is concluded as the effect of analysis EPS estimates revision but did not address the error between analysis forecast and reported EPS.

**Setharaman and John Rudolph Raj:** in this case EPS reflect the position of the samples and its increase in the price was reflected in the stock exchange and market value but also in the Profit earnings ratio, dividend cover, dividend yield and earnings yield. So it can be concluded that public bank Berhad's EPS figure is positive indicator for long-term investment.

**Muhammad Zulqarnain Jatoi, Ghulam Shabir:** A study on cement Industry of Pakistan in this study the five researchers explained who Regression impact on earnings per share and Market value of the shares with the help of statistical tool SPSS. They came out with the conclusion EPS is independent variable and Market value is dependent variable where the both variable have strong relation.

**NEED FOR THE RESEARCH**

The key function of the research is to understand impact of EPS and market price of JK Tyres as well as effect of EPS on the market value of organization and its chosen competitors to do the comparative analysis thought this study we can explore the fluctuation in the share price of JK Tyre from the impact of EPS. As the EPS frames a wealth maximization goal for any organization, there is a need of hour to focus on that.

**STATEMENT OF THE PROBLEM**

As there was too much variation in the share prices of JK Tyres was high. A study was required to understand the gap of EPS and Market value of JK tyre fluctuation.



**OBJECTIVES OF THE STUDY**

1. To analysis the impact of EPS on Market price of JK tyre.
2. To understand the relationship between EPS and stock price of JK Tyre.
3. To explore the comparative analysis of JK tyre with its competitors

**HYPOTHESIS**

H1-There is a significant relation between market value of JK tyre and its EPS

H2-There is a significant impact of earning per share of JK

**RESEARCH METHODOLOGY**

The data are collected from both source primary source and secondary source for the study

**PRIMARY DATA**

Primary data has sourced from the interaction of financial manager of the organization

**SECONDARY DATA**

Secondary data has source from the company website, journals research papers

**DATA COLLECTION TOOL**

The analysis relation between market value of JK tyre and EPS of the chosen competitors of JK Tyres by using Mean, Correlation co-efficient, Regression, Beta, Standard Deviation, Analysis of variance.

**SAMPLING TECHNIQUES**

Judgmental sampling

**SAMPLE SIZE**

Sample chosen for the study includes the four company's data of competitors of JK Tyres like MRF, CEAT, APOLLO, and GOODYEAR for five year 2011 to 2015.

**ANALYSIS AND INTERPRETATION OF DATA**

A statistical study is conducted by using SPSS (statistical Package for Social Sciences software)

Tool to calculate the significant level of impact of EPS and its market share price value.

**JK TYRE MARKET CAPITALIZATION****TABLE 1: TABLE SHOWING MARKET RATE OF EQUITY OF JK TYRE FOR 5 YEAR DATA**

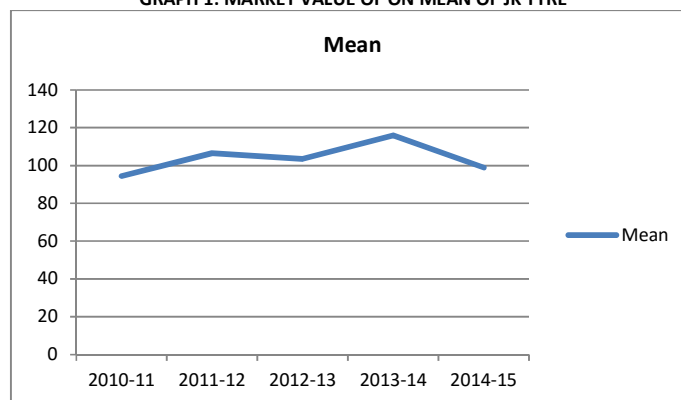
Year	Opening price	No. of shares	Market capitalization
2011	135.5	12298992	1666513416
2012	61	12863659	784683199
2013	122	17803895	2172075190
2014	176.75	62096124	10975489917
2015	129.65	110747530	14358417265

**SPSS OF ABOVE TABLE****TABLE 2  
Descriptive Statistics**

	N	Mean	Std. Deviation	Variance
2010-11	11	94.484258	10.6279394	112.953
2011-12	11	106.491234	11.3828773	129.570
2012-13	11	103.556478	16.6088298	275.853
2013-14	11	115.961315	29.3715643	862.689
2014-15	11	98.851734	16.3448932	267.156
Valid N (listwise)	11			

The above table shows that Arithmetic Mean, Standard deviation and Variance of Market rate of equity of JK tyre for five years from the year 2011 to 2015 considered for the case. The Mean market value as increase from the year 2010-11 to 2013-14, it is lowest in the year 2010-11 where mean is 94.48 but in the 2014-15 it as decline to 98.85, as equity share of Rs.10 are divided into 5equity share face value of Rs.2 from the 18<sup>th</sup> December 2014.

The Standard Deviation is very high in the year 2013-14 where it shows high risk with highest returns as been proved with respective variance.

**GRAPH 1: MARKET VALUE OF ON MEAN OF JK TYRE**

**COMPARATIVE ANALYSIS**

Comparative analysis of Mean for Market Value of Equity of JK tyre and its competitors.

**TABLE 3**

Company	Highest Mean among 5 year	Respectative year
JK TYRE	115	2013-14
MRF	105	2013-14
CEAT	112	2013-14
GOODYEAR	105	2013-14
APOLLO	107	2013-14

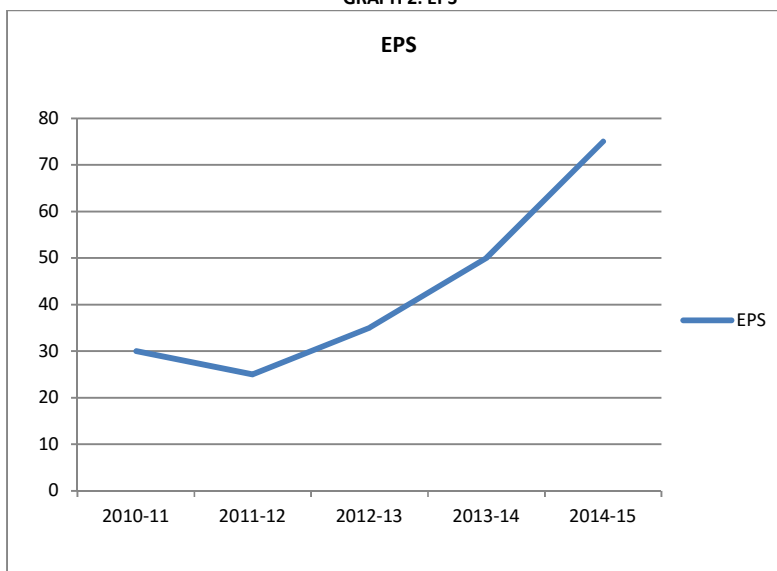
**Analysis**

By looking the above data, we analysis that JK tyre as the maximum Mean of 115 in the year 2013-2014 compare to others and the very next close value of CEAT tyre by 112.

**EARNING PER SHARE****TABLE 4: DESCRIPTIVE STATISTICS**

Year	N	Mean	Std. Deviation	Variance
JK	5	43.00	20.187	407.500
Valid N (listwise)	5			

With the average value of EPS of the JK tyre for a period of 5 years is 43.00 and the highest percentage of dividend is declared in the year 2014-15 of 75% and the lowest percentage of dividend is in the year 2011-2012 of 25%.

**GRAPH 2: EPS****TABLE 5: COMPARATIVE ANALYSIS OF EPS OF JK TYRE AND ITS COMPETITORS EPS (IN PERCENTAGE) OF COMPANY'S**

Year	JK	MRF	CEAT	APOLLO	GOODYEAR
2010-11	30	440	20	50	70
2011-12	25	190	10	50	70
2012-13	35	190	40	50	70
2013-14	50	240	100	75	90
2014-15	75	440	100	200	100

TABLE 6: DESCRIPTIVE STATISTICS

year	N	Mean	Std. Deviation	Variance
JK	5	43.00	20.187	407.500
MRF	5	300.00	129.422	16750.000
APOLLO	5	85.00	65.192	4250.000
CEAT	5	54.00	43.359	1880.000
GOODYEAR	5	80.00	14.142	200.000
Valid N (listwise)	5			

In the above data by looking percentage of EPS Mean of MRF is highest up to 300 it is because of the high stock price in the market, where in the case of JK it is 43 mean because of sub-division of share in 18<sup>th</sup> December of 2014 it is low compare to its competitors.

**CORRELATION**

Correlation between market value of Equity of JK Tyre and its EPS

**Price of JK tyres**

TABLE 7

Year	Market value	EPS
2010-11	1666513416	30
2011-12	784683199	25
2012-13	2172075190	35
2013-14	10975489917	50
2014-15	14358417265	75

TABLE 8: DESCRIPTIVE STATISTICS

		Market capitalization	EPS
Market capitalization	Pearson Correlation	1	.960**
	Sig. (2-tailed)		.009
	N	6	5
EPS	Pearson Correlation	.960**	1
	Sig. (2-tailed)	.009	
	N	5	5

\*\* . Correlation is significant at the 0.01 level (2-tailed).

The correlation among market value and EPS with the Pearson correlation. The correlation value of JK tyre is 0.96 which reflect the highest degree with positive correlation. Thus if there is an increase in market value then there will be increase in percentage of dividend in the form of EPS also increase and vice versa at 5% level of significance

**REGRESSION**

Calculation of Regression for JK tyres between EPS and Market value

TABLE 9: MOEL SUMMARY

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.960 <sup>a</sup>	.922	.897	2.004E9

a. Predictors: (Constant), EPS

The R Square in above table is 0.922 where the EPS (independent variables) can explain 92.2% of change in the Market value (dependent variable). and adjusted R Square shows that 89.7% of the variance between Market price and EPS.

TABLE 10: ANOVA<sup>b</sup>

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.432E20	1	1.432E20	35.653	.009 <sup>a</sup>
	Residual	1.205E19	3	4.016E18		
	Total	1.552E20	4			

a. Predictors: (Constant), EPS

b. Dependent Variable: MKT CAP

In ANOVA we used EPS as sovereign variable and the above table shows the significant effect of EPS on Market price of JK tyres in the Market.

TABLE 11: COEFFICIENTS<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-6.754E9	2.315E9		-2.917	.062
	EPS	2.964E8	4.964E7	.960	5.971	.009

a. Dependent Variable: MKT CAP

The above coefficient table explains the Beta contribution of EPS (independent variable) with beta coefficient of 2.96 and significant value of .009 makes the strong contribution in amplification the Market value of JK tyres share. The EPS show impact on Market worth of share significantly. This test suggests there is a strong relation between EPS and Market value.

## FINDINGS

### EPS MEAN AND STD.DEVIATION VALUES OF JK AND ITS COMPETITORS

TABLE 12

Serial No.	Companies (Tyres)	EPS2011 (%)	EPS2012 (%)	EPS2013 (%)	EPSY14 (%)	EPSY15 (%)	Mean	SD.EPS
1	JK	30	25	35	50	75	43.00	20.187
2	MRF	440	190	190	240	440	300.00	129.422
3	Apollo	50	50	50	75	200	85.00	65.192
4	Ceat	20	10	40	100	100	54.00	43.35
5	Goodyear	70	70	70	90	100	80.00	14.14

### MARKET PRICE OF SHARE MEAN AND STD.DEVIATION VALUES

TABLE 13

Sl No.	Companies (Tyres)	MVSY11	MVSY12	MVSY13	MVSY14	MVSY15	Mean	SD.MV
1	JK	135.5	61	122	176.75	129.65	124.9	41.57
2	MRF	7270	6964.6	12879.95	19350	38052.3	16903.	12855.
3	Apollo	67.7	59.25	89	107.9	222.8	109.33	66.20
4	Ceat	135.6	73.5	105.95	322.85	859	299.98	327.48
5	Goodyear	284	294.2	376.95	372.95	630	391.62	140.05

## SUMMARY OF FINDINGS

- The comparison of Share price and EPS with its competitors JK tyre both share price and EPS is low.
- The relationship of EPS and Market value. It's as proved (dependent variable) EPS as positive relation on (independent variable) Market value in the study.
- The rate of dividend is increase from 50% to 75%. Which shows the positive change in business.
- The correlation value of JK tyre is 0.96 which reflect the highest degree of positive correlation. Thus increase in the percentage of EPS will increase in Market value of JK Tyre or if there is a decrease in the percentage of EPS will decrease in Market value of JK Tyre.
- For testing hypothesis H1 =correlation has been used the result obtain is 0.96 between market value of share and EPS percentage of JK tyre for the past 5 year. So it exhibited the increase in positive degree correlation declaring a significant relationship between EPS and Market value so H1 is accepted.
- H2: for testing H2 the Regression calculation shows 92.2% that there is significant influence of (independent variable) EPS and (dependent variable) market price of JK Tyre. So that factor has a positive increase percentage of R<sup>2</sup> it refers that H2 accepted.

## SUGGESTIONS

- The company has already expanded his business in international which is in Mexico and it can be suggested world wide
- To enter into two wheelers and three wheeler business where its competitors have occupied 20% of market in tyre business.
- This study would be useful for investors.

## CONCLUSION

The study is about impact on EPS on Market value with reference to JK Tyre. Various factors will affect the Market worth of JK tyre share. Along with them one of the key factor consider for this learning's is EPS therefore the present empirical learning exhibited the impact and relationship between EPS and Market price of JK tyre. We have tested two hypotheses through Regression and correlation model for EPS. Exposed that Market value of share increase with the increase with the increase of EPS of JK tyre or market value of share decrease with the decrease of EPS of JK tyre. The study is based on 5 years data EPS and Market value of JK tyre. It exhibited a positive and important relationship between EPS and Market worth of JK tyre. We have tested both hypothesis with the help of SPSS and it is proved. Hence investor can make decision rational investment verdicts based on this variable while making investment in JK

## LIMITATION OF THE STUDY

Authentication of the data depended on company website and this study is only for the JK Tyres it's based on only 5years data of selected company.

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### BOOKS

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**APPENDIX****JK TYRES BSE DATA****TABLE 14**

Year	Open Price	High Price	Low Price	Close Price	No.of Shares
2011	135.5	139.3	53.5	60.7	12298992
2012	61	131	59.3	120.95	12863659
2013	122	177.95	80.05	175.3	17803895
2014	176.75	692	120.8	130	62096124
2015	129.65	138.8	78.25	112.1	110747530
2016	111.4	118.5	84.05	90.15	7824306

**SENSEX DATA OF JK TYRES****TABLE 15**

Month	Open	High	Low	Close
Jan-11	20621.61	20664.8	18038.48	18327.76
Feb-11	18425.18	18690.97	17295.62	17823.4
Mar-11	17982.28	19575.16	17792.17	19445.22
Apr-11	19463.11	19811.14	18976.19	19135.96
May-11	19224.05	19253.87	17786.13	18503.28
Jun-11	18527.12	18873.39	17314.38	18845.87
Jul-11	18974.96	19131.7	18131.86	18197.2
Aug-11	18352.23	18440.07	15765.53	16676.75
Sep-11	16963.67	17211.8	15801.01	16453.76
Oct-11	16255.97	17908.13	15745.43	17705.01
Nov-11	17540.55	17702.26	15478.69	16123.46
Dec-11	16555.93	17003.71	15135.86	15454.92
Jan-12	15534.67	17258.97	15358.02	17193.55
Feb-12	17179.64	18523.78	17061.55	17752.68
Mar-12	17714.62	18040.69	16920.61	17404.2
Apr-12	17429.96	17664.1	17010.16	17318.81
May-12	17370.93	17432.33	15809.71	16218.53
Jun-12	16217.48	17448.48	15748.98	17429.98
Jul-12	17438.68	17631.19	16598.48	17236.18
Aug-12	17244.44	17972.54	17026.97	17429.56
Sep-12	17465.6	18869.94	17250.8	18762.74
Oct-12	18784.64	19137.29	18393.42	18505.38
Nov-12	18487.9	19372.7	18255.69	19339.9
Dec-12	19342.83	19612.18	19149.03	19426.71
Jan-13	19513.45	20203.66	19508.93	19894.98
Feb-13	19907.21	19966.69	18793.97	18861.54
Mar-13	18876.68	19754.66	18568.43	18835.77
Apr-13	18890.81	19622.68	18144.22	19504.18
May-13	19459.33	20443.62	19451.26	19760.3
Jun-13	19859.22	19860.19	18467.16	19395.81
Jul-13	19352.48	20351.06	19126.82	19345.7
Aug-13	19443.29	19569.2	17448.71	18619.72
Sep-13	18691.83	20739.69	18166.17	19379.77
Oct-13	19452.05	21205.44	19264.72	21164.52
Nov-13	21158.81	21321.53	20137.67	20791.93
Dec-13	20771.27	21483.74	20568.7	21170.68
Jan-14	21222.19	21409.66	20343.78	20513.85
Feb-14	20479.03	21140.51	19963.12	21120.12
Mar-14	21079.27	22467.21	20920.98	22386.27
Apr-14	22455.23	22939.31	22197.51	22417.8
May-14	22493.59	25375.63	22277.04	24217.34
Jun-14	24368.96	25725.12	24270.2	25413.78
Jul-14	25469.94	26300.17	24892	25894.97
Aug-14	25753.92	26674.38	25232.82	26638.11
Sep-14	26733.18	27354.99	26220.49	26630.51
Oct-14	26681.47	27894.32	25910.77	27865.83
Nov-14	27943.04	28822.37	27739.56	28693.99
Dec-14	28748.22	28809.64	26469.42	27499.42
Jan-15	27485.77	29844.16	26776.12	29182.95
Feb-15	29143.63	29560.32	28044.49	29361.5
Mar-15	29533.42	30024.74	27248.45	27957.49
Apr-15	27954.86	29094.61	26897.54	27011.31
May-15	27204.63	28071.16	26423.99	27828.44
Jun-15	27770.79	27968.75	26307.07	27780.83
Jul-15	27823.65	28578.33	27416.39	28114.56
Aug-15	28089.09	28417.59	25298.42	26283.09
Sep-15	26127.04	26471.82	24833.54	26154.83
Oct-15	26344.19	27618.14	26168.71	26656.83
Nov-15	26641.69	26824.3	25451.42	26145.67
Dec-15	26201.27	26256.42	24867.73	26117.54
Jan-16	26101.5	26197.27	23839.76	24870.69
Feb-16	24982.22	25002.32	24187.54	24223.32

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