

SPREAD AND EQUITY INVESTMENT CD EQUISEARCH PVT. LTD.

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ABSTRACT

The assessment of financing choices is the decision of where, when, how, and what sort of money to spend or borrow in order to generate profits. Investors and their financial advisers often work together to make a financing choice. An investor's brokerage account type determines how much discretion funding managers have in making decisions without the investor's direct input. Capital on hand, available initiatives or opportunities, current market conditions, and a particular strategy are all factors that go into making an investment choice. Investing in anything means giving up some present value in exchange for a whole lot of mystery. Decisions about investments and their types, mixes, amounts, timing, grades, etc., are largely included in this. After accounting for inflation and risk, our investing goals remain unchanged: a healthy rate of return. There has to be a balanced approach to selecting assets, and all savings should be turned into investments. Before putting money into anything, careful planning is required. Losing money is the result of investing without a strategy. If you invested during the secondary market boom of 1992 or the number one market boom of 1994–1995, you lost a lot of money.

INTRODUCTION

The art and science of managing a group of individuals to achieve a common goal within established institutional constraints is known as management. In management, setting goals, creating a strategy to reach those goals, and checking in on progress at regular intervals are all part of the job. The role of management is fundamental to almost every endeavour undertaken by humans. Direction, coordination of activities, and control over the proper use of all resources (human and otherwise) are the main aims of management. It is critical for

everyone to learn the basics of management, especially when it comes to companies.

Managing Your Money:

Companies can't function due to a lack of funding. For a company to achieve its objectives, sound financial management is essential. Consequently, more cash is consumed while less money is spent. Make the most of what you do while wasting as little as possible. Management finance, corporate finance, and financial management are all very much the same thing. Planning, controlling, and allocating resources are all part of it. The four pillars of good financial management—dividend selection, working capital management, capital structure, and capital planning—are essential. The maximisation of shareholder wealth is the primary responsibility of management, according to a key premise in financial theory.

No business, no matter how big or little, can succeed without solid financial operations. Organisations need to set up rules and procedures to deal with the various parts of financial management if they want these activities to go off without a hitch. The Annual Report must accurately and comprehensively include all finance department rules, processes, and systems since it is a policy document. The audit report, income statement, balance sheet, and other financial statements are all part of it. In order for the organisation to achieve its financial goals, the annual report is crucial since it directs the decisions and activities of the financial department.

OBJECTIVE OF THE STUDY

The research aims to achieve these goals. This investigation is focused on the distribution method employed by JM Financial Services Pvt. Ltd. This can be a good way to find out how spreads affect stock market

investing. I hope this clarifies how spreads work and how they help investors make more money by putting their money into different companies.

NEED AND IMPORTANCE OF STUDY

Potential stock buyers and sellers could benefit from the findings of the current spread investigation. Findings suggest gamblers should aim to maximise winnings while limiting losses. Also, you may utilise it to find out how powerful the company is in the market. Instead of concentrating on the setting in which he intended to conduct the study, the researcher here examined spreads and how they correlated with traders' investment and profit.

SCOPE OF THE STUDY

Daily highs and lows were analysed for ten equities across five distinct BSE Sensex sectors. The 45-day research compares share prices twice a week, on Monday and Friday.

All of the following sectors are included in this analysis:

Communication
Financial markets and banking
End-User Technology and Pharmaceutical
Product Categories

METHODOLOGY OF THE STUDY

In their quest for new information or to improve upon existing facts, ideas, applications, etc., researchers conduct thorough and organised investigations into a broad variety of topics. In scientific enquiry, the term "methodology" is used to characterise the established patterns and procedures. Therefore, research technique provides an account of the procedures used to conduct the study. Two main points form the basis of research on equity investments and spreads.

Major points
Continuation of analytics

Broad Information:

Data that has never been published before and is generated from brand-new research initiatives is known as primary data in fields like marketing. This data is gathered directly from first-hand sources, such as surveys, observations, or experiments.

Overview of the Data:

Secondhand information is known as secondary data as it comes from places other than the consumer. Data collected using qualitative methods, organisational records, and censuses are examples of secondary data sources often used in the social sciences. Primary data, on the other hand, is collected firsthand by the researcher. Researchers may find that using secondary sources is more efficient than spending time collecting original data. It is quite challenging for a single researcher to construct extensive databases, especially when dealing with quantitative data. Since it is difficult to conduct a fresh survey that sufficiently captures changes and improvements, academics also feel that secondary data is crucial for evaluating social and economic growth.

TOOL USED

CALCULATION OF SPREAD:

$$\text{SPREAD} = \text{CLOSING PRICE} - \text{OPENING PRICE}$$

TECHNIQUE:

For any given stock, the spread is the percentage change between the opening and closing prices. By graphing this data, you can observe whether the spread is positive or negative. The outcome determines the optimal time to purchase or sell stocks.

LIMATATIONS OF THE STUDY

The study only included ten businesses. The low-high prices are not used into the spread calculation; it only takes the starting and finishing periods of the week into account. No longer than five weeks may the trial run.

INDUSTRY PROFILE

An expansive and rapidly expanding financial sector is the outcome of the tremendous development seen by financial services organisations in India and the influx of new players into the market. Smaller financial institutions in this sector include a wide variety of vehicles, including mutual funds, pension funds, insurance agencies, co-ops, and non-banking financial firms. Payments banks are one example of a new kind of business that the banking regulator has just greenlit, increasing

competition in the industry. However, commercial banks own over 64% of all assets in India's financial sector, making them the major players.

The Indian government has recently introduced changes to liberalise, regulate, and improve this sector. Many programmes established by the Indian government and the Reserve Bank of India (RBI) to help micro, small, and medium-sized businesses (MSMEs) get access to finance have been very successful. Among these endeavours are the following: establishing a Micro Units Development and Refinance Agency (MUDRA) and supplying banks with regulations about collateral requirements. Among them is the Micro and Small Business Credit Guarantee Scheme. The government and business sector of India have worked together to create one of the most dynamic capital markets in the world.

Through the securities market, money may be moved from assets that aren't being used to ones that might be more productive. Ultimately, investors care more about the economy's capacity to preserve money than savers do. This strengthens investment and savings, the two cornerstones of economic growth. A new age of contemporary capital market regulation has begun, and the Indian capital market has made tremendous strides in this regard with the support of a robust regulator. In many respects, the Indian securities market has been exceptional throughout the last decade. There have been huge gains in market capitalisation, trading volumes, the number of listed enterprises, the investor population, and investor population overall. Significant institutional changes have led to a reduction in transaction costs and an increase in market efficiency, openness, and safety.

NATIONAL STOCK EXCHANGE (NSE)

As a new stock exchange, the National Stock Exchange of India Limited was suggested by the High-Powered Study Group on Establishment of New Stock Exchanges. Financial institutions (FIs) were pressured by this faction to create a national stock market so that all investors could participate fairly. Following this recommendation, the Indian government formally established the National Stock Exchange (NSE) in November 1992 with the backing of prominent Indian financial institutions. Unlike other stock exchanges in the nation, NSE began collecting taxes

immediately after its legal formation. Following its official accreditation as a stock exchange in April 1993 under the Securities Contracts (Regulation) Act, 1956, NSE began trading in the Wholesale Debt Market (WDM) sector in June 1994. In November, activities for the capital market (equities) began.

The following are examples of wholly-owned subsidiaries: NSCCL, which handles securities clearing and settlement; IISL, which offers indexes and index services in collaboration with Standard & Poor's (S&P) via a consulting and licensing arrangement; and NSE.IT Ltd., which is responsible for NSE's technology platform. We are still moving forward as one of the world's most prominent exchanges. One of our continuous objectives here at NSE is to make the capital market more user-friendly, participatory, and innovative. Consequently, competent individuals will forever be required. Since we are the foremost national budgeting authority and stock exchange, we are committed to hiring the best and brightest. Through cross-departmental exposure, ongoing self-development opportunities, and continual reinforcement, we aim to produce future leaders of our organisation by strengthening their customer orientation and leadership potential. A bonus system that recognises and rewards professionalism and hard work is part of your competitive remuneration package, which also includes medical coverage and retirement savings schemes.

THEORETICAL FRAMEWORK

To many individuals, the word "spread" could mean different things. One definition of a spread is the distance between two linked financial variables, such as prices. Futures spreads are another name for long-short futures positions that aim to expose one to spreads in the first sense. My third point is that a position including many linked options is called an options spread. The term "options spread," used to represent a strategy that seeks to provide many forms of exposure, may have originated from futures spreads. An individual or entity known as a "market maker" would simultaneously quote two prices, or bid and offer, for various assets such as stocks, futures contracts, options, and currency pairings. This difference is referred to as the bid-offer spread. The width of the bid-offer spread for a commodity is a solid sign of market liquidity.

When one trader starts a transaction, they are making a liquidity demand, and when the other trader closes the contract, they are providing

liquidity. The market orders are executed when liquidity is required. It is possible to place limit orders when there is liquidity. When two transactions take place simultaneously, it's called a "round trip," and one side pays the spread while the other got it. The "Limit Order Book" is where all of the unfulfilled limit orders are kept while they are currently prepared to be executed. In the first set, which deals with differences between variables, there are a number of large spreads. The difference between the best quotation ask and bid prices is a common occurrence in a balanced market. A bid-ask spread is the difference between an item's asking price and its current market value. Actual prices, yields, implied volatilities, and other market-specific ways of expressing quotations are available. In comparable units, the bid-ask spreads are quantified. A more liquid market is one in which the difference between the bid and ask prices is less, according to one school of thinking. The mid-offer price is the average of the asking and bid prices. Currencies and money markets keep close eye on certain spreads. The "TED spread" describes the gap in interest rates between Treasury bills and Eurodollars. The market's concern about credit in general is reflected in the lower "risk free" Treasury rate when contrasted with a similar commercial rate. Future exchange prices are affected by the strength or weakness of various currencies, which is shown by the margins between Libor rates for different currencies.

The futures basis is the sum of an item's spot price and its futures price in a futures market. If "basis" is not suitable, then "spread" should be used instead. A basis might be the difference between two interest rates that are subject to change, like Libor and the rate that bankers are willing to take. In order to get the current rate or yield of a fixed income instrument, one must add up its benchmark yield or interest rate together with any spreads that are caused by things like credit risk, liquidity, hidden options, or tax benefits. Relationships between the same variable at two different times are called calendar spreads. The price of natural gas in the summer compared to the winter, or the price of an agricultural product just before and after harvest, may represent an intriguing seasonal differential. Much of the market places a monetary value on the difference between input and output prices, which is known as the profit margin. Differentiating crude oil from refined oil in terms of price is known as the crack spread. The spark spread occurs when the cost of fuel exceeds its own cost to

generate one unit of electricity. Electricity. If the same item has different prices at two distinct distribution sites, it might be because of transportation costs or because there was a temporary scarcity. Various Types of Money Markets A wide variety of financial markets are available.

DATA ANALYSIS AND INTERPRETATION

Table No. 4.1

RELIANCE COMMUNICATION

Table No.4.1: Calculation of spread of stocks of Reliance Communication (HYD)

Day	Date	Open(O)	Close(C)	Total	Spread (C-O)
Monday	2 nd Nov	575.00	555.35	715731047.00	-19.65
Friday	6 th Nov	553.00	546.80	972882948.00	-6.20
Monday	9 th Nov	528.90	554.10	2143667400.00	+25.20
Friday	13 th Nov	543.10	543.35	746936034.00	+0.25
Monday	16 th Nov	545.00	535.10	601366824.00	-9.90
Friday	20 th Nov	528.00	491.30	1250386882.00	-36.70
Monday	23 rd Nov	481.00	487.90	712351294.00	+6.80
Friday	27 th Nov	465.00	473.55	816458354.00	+8.55
Monday	30 th Nov	473.00	442.40	1418829661.00	-30.60
Friday	4 th Dec	385.10	438.20	1748625597.00	+ 53.10
Monday	7 th Dec	445.00	419.80	1517425981.00	-25.20
Friday	11 th Dec	449.90	437.90	810899980.00	-12.00

Fig No 4.1

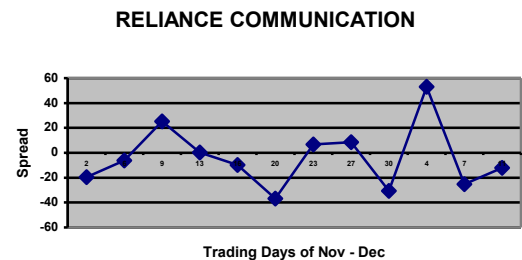


Fig no.4.1: Graphical representation of spread of Reliance Communication

Source: From the statistics of the BSE India Site.

INTERPRETATION:

Full turnover, spread (the difference between a security's opening and closing prices), dates of both the beginning and ending prices, and prices every six weeks on Monday and Friday are among the several pieces of information included in Table 4.1 for Reliance Communication. In the first two weeks of November, it fluctuates between -19.65 and -6.20 degrees; in the following weeks, it falls to -9.90 degrees; in the fourth week of November, it rises to 6.80 degrees; in the fifth week of November, it falls to 8.55 degrees; in the sixth week of November, it falls to 30.60 degrees; and in the seventh week of December, it falls to -12.00 degrees. Some speculators may try to profit on Monday's bigger spread by purchasing a security late in the day and selling it early in the morning.

Table No. 4.2

BHARATI AIRTEL

Table No.4.2: Calculation of spread of stocks of Bharati Airtel

Day	Date	Open(O)	Close(C)	Total	Spread (C-O)
Monday	2 nd Nov	888.00	877.70	306940882.00	-10.30
Friday	6 th Nov	820.00	802.05	693755681.00	-17.95
Monday	9 th Nov	775.00	780.75	1019900853.00	+5.75
Friday	13 th Nov	821.00	813.95	219359785.00	+7.05
Monday	16 th Nov	821.00	839.60	301670049.00	+18.60
Friday	20 th Nov	810.00	766.40	724513250.00	-43.60
Monday	23 rd Nov	760.00	758.15	881337328.00	-1.85
Friday	27 th Nov	745.00	746.80	1055500692.00	+1.80
Monday	30 th Nov	743.00	721.65	193380145.00	+21.35
Friday	4 th Dec	709.35	716.30	294403579.00	+6.95
Monday	7 th Dec	724.05	726.65	246248012.00	2.65
Friday	11 th Dec	785.00	745.35	690025186.00	-39.65

Fig No 4.2

BHARATI AIRTEL

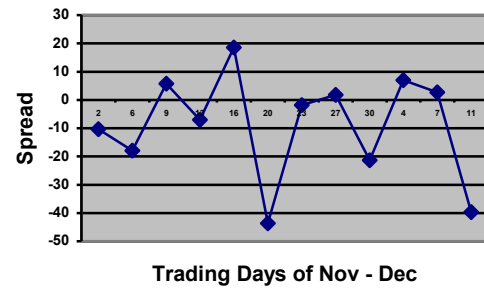


Fig no.4.2: Graphical representation of spread of Bharati Airtel

Source: From the statistics of the BSE India Site.

INTERPRETATION:

Table 4.2 contains several bits of information on Bharthi Airtel Scrip. Included in this category are the following: total turnover, spread (the difference between a security's opening and closing prices), and prices on Monday and Friday of every six weeks. The 12-day spread is as follows: -10.30 on November 2nd, -17.95 on November 6th, 5.75 on November 9th, -7.05 on November 13th, 18.60 on November 16th, -43.60 on November 20th, -1.85 on November 23rd, 1.80 on November 27th, -21.35 on November 30th, 6.95 on December 4th, 2.65 on December 7th, and -39.65 on December 11th. As is usual, more unpleasant occurrences seem to happen on Fridays. Speculators might increase their profit by buying the security at the end of the trading day and selling it at the beginning of the trading day.

Table No. 4.3

STATE BANK OF INDIA

Table No.4.3: Calculation of spread of stocks of State bank of India

Day	Date	Open(O)	Close(C)	Total	Spread (C-O)
Monday	2 nd Nov	1450.00	1394.10	757708934.00	-55.90
Friday	6 th Nov	1369.90	1335.15	533453909.00	-34.75
Monday	9 th Nov	1290.00	1292.80	468989124.00	-2.80
Friday	13 th Nov	1350.00	1334.55	622841957.00	-15.45
Monday	16 th Nov	1352.00	1326.40	390810044.00	-25.60
Friday	20 th Nov	1305.00	1247.50	722548093.00	-57.50
Monday	23 rd Nov	1225.00	1205.05	619336570.00	-19.95
Friday	27 th Nov	1190.00	1158.30	533574566.00	-31.70
Monday	30 th Nov	1155.00	1111.45	372058274.00	-43.55
Friday	4 th Dec	1102.30	1127.50	581222148.00	25.20
Monday	7 th Dec	1137.25	1171.75	453537393.00	34.50
Friday	11 th Dec	1242.80	1222.25	596309071.00	-19.95

Fig No 4.3

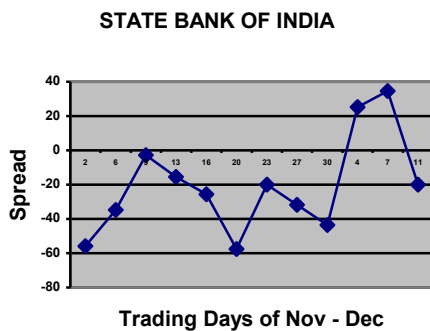


Fig no.4.3: Graphical representation of spread of State Bank of India

Source: From the statistics of the BSE India Site.

INTERPRETATION:

You can find information on State Bank of India Scrip in Table 4.3. It includes details like total turnover, spread (the difference between the security's opening and closing prices), and the dates on which these numbers were established. You can see the data from the last six weeks by comparing the prices on Mondays and Fridays. This indication is linked to the following times and dates: November 2nd: -55.90, November 6th: -34.75, November 9th: -2.80, November 13th: -15.45, November 16th: -25.60, November 20th: -57.50, November 23rd: -19.95, November 27th: -31.70, November 30th: -43.55, December 4th: 25.20, December 7th: 34.50, and December

11th: -19.95. After that, December rolls along. As is customary, the spread is wider on Fridays. Speculators may maximise their returns by buying securities before the market closes and selling them before the market reopen.

**Table No. 4.4
ICICI BANK**

Table No.4.4: Calculation of spread of stocks of ICICI

Day	Date	Open(O)	Close(C)	Total	Spread (C-O)
Monday	2 nd Nov	784.00	764.85	430149200.00	-19.15
Friday	6 th Nov	780.25	770.85	664974348.00	-9.40
Monday	9 th Nov	745.00	750.10	970894101.00	5.10
Friday	13 th Nov	751.20	764.80	639804660.00	13.60
Monday	16 th Nov	775.00	798.70	423670618.00	23.70
Friday	20 th Nov	757.00	734.65	775068161.00	-22.35
Monday	23 rd Nov	720.00	721.35	719920834.00	1.35
Friday	27 th Nov	677.00	653.10	847910473.00	-23.90
Monday	30 th Nov	650.00	630.20	929787838.00	-19.80
Friday	4 th Dec	570.00	600.65	793383983.00	30.65
Monday	7 th Dec	610.00	603.75	664705963.00	-6.25
Friday	11 th Dec	606.25	591.55	1007721751.00	-14.70

Fig No 4.4

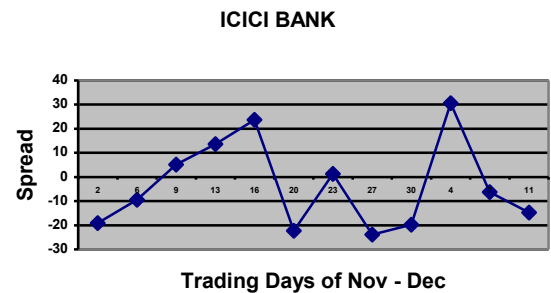


Fig no.4.4: Graphical representation of spread of ICICI

Source: From the statistics of the BSE India Site.

INTERPRETATION:

Details on ICICI Scrip are available in Table 4.4. Information such as prices on Monday and Friday of every six weeks, total turnover, spread (the difference between a security's opening and closing prices), and recording dates are all included in the table. From November 2nd to November 27th, the spread varied from -21.95% to -9.40%, from November 9th to November 13th, from 13.60% to 23.70%, from November 20th to November 23rd, from November 27th to November 30th, from November 30th to December 4th, from 30.65% to December 7th, from 6.25% to December 11th, from -14.75%. Everything is summarised from the last twelve days. Buyers should bet on the item and sellers should wait for the opening bell to maximise their profits since the negative spread is more pronounced at the closing bell.

FINDINGS

Based on the analysis, Reliance Communications' share prices result in a negative spread. Bharati Airtel stock prices produce a negative spread, according to the study's authors. From what we can see, State Bank of India's stock price generates a negative spread. The study team discovered that ICICI creates a negative spread when they examine their share prices. A negative spread has been seen in the most recent trade of Cipla stock. The price of Ranbaxy shares has seen a negative spread. According to the numbers, ITC stock prices are creating a negative spread. A positive spread is generated by HUL's stock prices, as shown by the data.

In accordance with the research, Infosys stock prices produce a negative spread. The current market price of Wipro shares is well below the company's intrinsic value.

SUGGESTIONS

Reliance Communication is allegedly more complicated than it seems. Therefore, investors should keep the item until the market shuts and then sell it when the market opens again. In the instances of Bharati Airtel, State Bank of India, ICICI, Cipla, Ranbaxy, ITC, Infosys, and Wipro, there has been a negative spread. Therefore, investors should keep the item until the market shuts and then sell it when the market opens again. Evidently, HUL's spread is beneficial. Speculators would be wise to buy the asset early in the trading day and sell it late in the day.

CONCLUSION

In comparison to the other companies, HUL has a favourable spread when it comes to stock investments of certain scopes. A negative spread suggests a loss is likely, so investors should proceed with caution.

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