

## Random Walk Share Price Movements of Ashok Leyland Ltd. Irrespective of Active Corporate Initiatives

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**Abstract:** The corporate decisions are generally considered to be influencing the share price movements since the share price movements are found to be highly sensitive. There is literature support describing the association of corporate achievements, decisions, events and financial results with share price movements. Data have been collected from Ashok Leyland Ltd. during the period from January 2014 to December 2016. The decision study has been conducted based on the data collected. Each of the achievements, decisions, events have been analysed very closely and their impact on share price movements have been identified. Both percentage analysis and paired t-test have been applied in the methodology. The random walk of share price movement has been observed in spite of active initiatives from the part of Ashok Leyland Ltd.

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This study is a close analytical effort into the corporate decisions of Ashok Leyland Ltd.. Various achievements, decisions, events and financial results of Ashok Leyland Ltd. during the period from January 2014 to December 2016 have been very closely and deeply analysed. The various corporate initiatives have been classified as under:

1. Acquisition/Merger/Collaboration – 01
2. Financial Results – 02
3. Certification/Awards/ Achievement– 03
4. General – 04
5. Production/Project/New Initiatives -05
6. Crisis/Disaster – 06
7. Divestment – 07
8. Patents -08

It has been observed that there are two classes of such major initiatives by the company and they are encoded as 2 and 5 as specified above. The financial results and production/project/new initiatives of Ashok Leyland Ltd. during January 2014 to December 2016 have been collected and linked with the share price movement of Ashok Leyland Ltd. in the same period. The pre-declaration and post declaration prices of Ashok Leyland Ltd. in connection with the declaration of the financial results and production /project/ new initiatives have been used for identifying the impact.

### I. Research Methodology and Design

Data have been collected from secondary sources alone. The press release, publications and news paper coverage have been the main sources. The collected data are entered in various tables specifying the dates.

1. The percentage change in the share price in connection with the acquisitions /mergers/collaborations, financial results and production/project/new initiatives have been calculated and tabled.
2. Paired t-test using online graph pad was used to identify the impact of the acquisitions /mergers/collaborations, financial results and production/project/new initiatives on share price movement.

### II. Data Analysis and Interpretation

#### 1. Percentage Analysis

1.

Date	Date: 06 <sup>th</sup> January 2014
Classification	Production/Project/New Initiatives -05 (1)
Decision	Ashok Leyland, the flagship of the Hinduja group, launched the <b>CAPTAIN series of next-generation heavy commercial vehicles.</b>
Percentage Change	-2.91
Share Price Movement	18.90 – 18.35, Downward, Negative by Rs..55.

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2.

Date	Date: 21 <sup>st</sup> January 2014
Classification	Financial Results – 02 (1)
Decision	Q3 was tough. Ashok Leyland's performance for the quarter closing at Rs.1,953 crores (Rs. 2,406 crores same period last year) with a net loss (PAT) of Rs. 167 crores (PAT Rs. 74 crores, same period last year). Slowdown in the Commercial Vehicle business and a YOY drop of 32% in Total Industry Volume (TIV) has reflected in the performance of Ashok Leyland also
Percentage Change	2.37
Share Price Movement	16.85 – 17.25, Upward, Positive by Rs..4.

3.

Date	Date:30 <sup>th</sup> January 2014
Classification	Production/Project/New Initiatives -05 (2)
Decision	Ashok Leyland launches state-of-the-art LCVs A product of the Nissan-Ashok Leyland joint-venture Powered by the advanced, efficient ZD30 Common Rail diesel engine
Percentage Change	.92
Share Price Movement	16.30 – 16.45, Upward, Positive by Rs..15.

4.

Date	Date: 13 <sup>th</sup> June 2014
Classification	Production/Project/New Initiatives -05 (3)
Decision	Ashok Leyland receives a huge order for 2,200 buses from the Government of Sri Lanka
Percentage Change	-2.96
Share Price Movement	33.75 – 32.75, Downward, Negative by Rs.1.

5.

Date	Date: 09 <sup>th</sup> July 2014
Classification	Production/Project/New Initiatives -05 (4)
Decision	Ashok Leyland Ltd, flagship of the Hinduja Group, has raised Rs. 667 crores via a Qualified Institutions Placement (QIP).
Percentage Change	-7.2
Share Price Movement	35.20 – 32.65, Downward, Negative by Rs.2.55.

6.

Date	Date: 25 <sup>th</sup> July 2014
Classification	Financial Results – 02 (2)
Decision	The Company registered a 4.8% increase in turnover - Rs. 2,477.80 crores for the quarter ended June 30, 2014, as against Rs. 2,363.81 crores of the corresponding quarter in 2013. Sale of M&HCV vehicles for the quarter stood at 14,949 numbers (14,900). Sale of Light Commercial Vehicles stood at 5,032 nos. (6,824)
Percentage Change	-4.10
Share Price Movement	34.15 – 32.75, Downward, Negative by Rs.1.4.

7.

Date	Date:09 <sup>th</sup> September 2014
Classification	Production/Project/New Initiatives -05 (5)
Decision	Ashok Leyland has received orders for around 4000 buses from State Transport Undertakings (STUs) worth nearly INR 1500 Crores. A total of 22 STUs across the country have placed large orders on the company
Percentage Change	7.77
Share Price Movement	38.60 – 41.60, Upward, Positive by Rs.3.

8.

Date	Date:11 <sup>th</sup> September 2014
Classification	Production/Project/New Initiatives -05 (6)
Decision	Ashok Leyland's Pantnagar manufacturing plant rolls out its 100,000th vehicle
Percentage Change	-.36
Share Price Movement	41.60 – 41.45, Downward, Negative by Rs..15.

9.

Date	Date: 06 <sup>th</sup> November 2014
Classification	Financial Results – 02 (3)
Decision	<b>Ashok Leyland</b> recorded a net profit of Rs. 72.73 crores for the <b>first half</b> of FY 2014-15, as against a loss of Rs. 166.80 crores for the corresponding period last year. Revenues hiked by 16% and stood at Rs. 5,695.48 crores, as against Rs. 4913.43 crores for the same period last year.
Percentage Change	5.13
Share Price Movement	46.75 – 49.15, Upward, Positive by Rs.2.4.

10.

Date	Date: 17 <sup>th</sup> November 2014
Classification	Production/Project/New Initiatives -05 (7)
Decision	Ashok Leyland bags major projects from Africa worth USD 79.2 mn
Percentage Change	-1.28
Share Price Movement	54.50 -53.80 , Downward, Negative by Rs..7.

11.

Date	Date: 29 <sup>th</sup> January 2015
Classification	Financial Results – 02 (4)
Decision	Ashok Leyland reports 72 % growth in revenue and substantial improvement in profits. Ashok Leyland recorded revenues of Rs. 3361.00 crores, as against Rs. 1953.21 crores for the corresponding period last year. Net profit is reported as Rs. 32.09 crores for Q3, as against a net loss of Rs. 167.21 crores for Q3 in the previous year year.
Percentage Change	-3.67
Share Price Movement	68.20 – 65.70, Downward, Negative by Rs.2.5.

12

Date	Date: 12 <sup>th</sup> May 2015
Classification	Financial Results – 02 (5)
Decision	Ashok Leyland FY'15 net profit at Rs.335Cr against Rs.29Cr in FY'14. Ashok Leyland recorded sales revenues of Rs.13562 Crores as against Rs.9943 Crores in the previous fiscal.
Percentage Change	-6.14
Share Price Movement	74.15 – 69.60, Downward, Negative by Rs.4.55.

13.

Date	Date: 22 <sup>nd</sup> June 2015
Classification	Production/Project/New Initiatives -05 (8)
Decision	Ashok Leyland wins order for buses worth 82 mn USD from Senegal
Percentage Change	2.29
Share Price Movement	69.80 – 71.40, Upward, Positive by Rs.1.6.

**Company :ASHOK LEYLAND LTD. 500477**

**Period: 19-Jun-2015 to 23-Jun-2015**

All Prices in ₹

14.

Date	Date: 12 <sup>th</sup> August 2015
Classification	Financial Results – 02 (6)
Decision	Ashok Leyland reports revenue growth of 55% and EBITDA grows by 287%. EBITDA for Q1 is reported as Rs.388.69 crores, against Rs.100.50 Crores same period last year, while Profit Before Tax (PBT) is reported to be Rs.234.90 Crores, against a loss of Rs.(70.45) Crores same period last year.
Percentage Change	1.78
Share Price Movement	86.90 – 88.45, Upward, Positive by Rs.1.55.

15.

Date	Date: 04 <sup>th</sup> November 2015
Classification	Financial Results – 02 (7)
Decision	Q2 revenue grows 54%, EBITDA up 260% • H1 revenue grows 54%, EBITDA up 298%
Percentage Change	-3.93
Share Price Movement	90.35 – 86.80, Downward, Negative by Rs.3.55.

16.

Date	Date: 27 <sup>th</sup> November 2015
Classification	Production/Project/New Initiatives -05 (9)
Decision	Ashok Leyland wins contract for 3600 vehicles worth \$200Mn from Cote D'Ivoire
Percentage Change	.48
Share Price Movement	94.05 – 94.50 , Upward, Positive by Rs..45.

17.

Date	Date: 11 <sup>th</sup> February 2016
Classification	Financial Results – 02 (8)
Decision	Ashok Leyland reports revenue growth of 22%, Net Profit growth of 519% in the Q3
Percentage Change	-4.75
Share Price Movement	87.35 – 83.20, Downward, Negative by Rs.4.15.

18.

Date	Date: 14 <sup>th</sup> June 2016
Classification	Financial Results – 02 (9)
Decision	In the FY 2015 -16, Ashok Leyland standalone annual revenue grows 39% to Rs. 18,822 crores, Operating PAT up 3.75 times
Percentage Change	-1.95
Share Price Movement	105.10 – 103.05, Downward, Negative by Rs.2.05.

19.

Date	Date: 21 <sup>st</sup> July 2016
Classification	Financial Results – 02 (10)
Decision	In the Q1 FY 2016-17, Ashok Leyland sales is up by 10%, Net Profit grows by 101%
Percentage Change	3.53
Share Price Movement	93.45 -96.75, Upward, Positive by Rs.3.3.

20.

Date	Date: 07 <sup>th</sup> September 2016
Classification	Acquisition/Merger/Collaboration – 01 (1)
Decision	Nissan and Ashok Leyland to embark on new phase in business relationship. Nissan has agreed to sell to Ashok Leyland all of Nissan's shares in three joint venture companies that were formed in the year 2008. These joint ventures are for technology development, and manufacturing of power trains and vehicles
Percentage Change	2.45
Share Price Movement	85.75 – 87.85, Upward, Positive by Rs.2.1.

21.

Date	Date: 17 <sup>th</sup> October 2016
Classification	Production/Project/New Initiatives -05 (10)
Decision	Ashok Leyland launches 'Circuit' Series – first Electric Bus which is made in India
Percentage Change	3.91
Share Price Movement	80.65 – 83.80, Upward, Positive by Rs.3.15.

22.

Date	Date: 09 <sup>th</sup> November 2016
Classification	Certification/Awards/ Achievement– 03 (1)
Decision	Ashok Leyland, Pantnagar manufacturing facility won the prestigious 2016 Deming Prize for the successful implementation of Total Quality Management
Percentage Change	-2.51
Share Price Movement	91.75 – 89.45, Downward, Negative by Rs.2.3.

## 2. Testing of Hypothesis

1. There is no significant difference between the pre-declaration share price and the post declaration share price when the financial results of Ashok Leyland Limited is announced.
2. There is no significant difference between the pre-declaration share price and the post declaration share price when the production/ project/ new Initiatives decisions of Ashok Leyland Limited is announced.

### Ashok Leyland (Hinduja Group)

20 Ashok Leyland									
Decisions	Pre	Post	% C	Pre- Mean	Post-Mean	t value	p value	Decision	
1	85.75	87.85	2.45						
2	16.85	17.25	2.37						
2	34.15	32.75	-4.10						
2	46.75	49.15	5.13						
2	68.2	65.7	-3.67						
2	74.15	69.6	-6.14						
2	86.9	88.45	1.78						
2	90.35	86.8	-3.93						
2	87.35	83.2	-4.75						
2	105.1	103.05	-1.95						
2	93.45	96.75	3.53	70.325	69.27	1.1876	0.2654	Not Significant	
3	91.75	89.45	-2.51						

5	18.9	18.35	-2.91						
5	16.3	16.45	0.92						
5	33.75	32.75	-2.96						
5	35.2	32.65	-7.2						
5	38.6	41.6	7.77						
5	41.6	41.45	-0.36						
5	54.5	53.8	-1.28						
5	69.8	71.4	2.29						
5	94.05	94.5	0.48						
5	80.65	83.8	3.91	48.335	48.675	0.6003	0.5631	Not Significant	

**Decision 2**

Group	Pre Declaration	Post Declaration
Mean	70.325	69.27
SD	28.7765	28.3292
SEM	9.0999	8.9585
N	10	10

**Decision 5**

Group	Pre Declaration	Post Declaration
Mean	48.335	48.675
SD	25.9292	26.7646
SEM	8.1995	8.4637
N	10	10

1. **The hypothesis is accepted**
2. **The hypothesis is accepted**

**III. Findings**

1. It has been noted that the financial results of Ashok Lyland Ltd. do not make any impact on the share price movements of Ashok Lyland Ltd.
2. It has been noted that the production/project/new initiatives decisions of Ashok Lyland Ltd. do not make any impact on the share price movements of Ashok Lyland Ltd.
3. There is a random walk in the share price of Ashok Lyland Ltd.

**IV. Conclusion**

The random walk theory is found to be very much applicable to the share price movements of Ashok Leyland Ltd.. During the years 2014, 2015 and 2016, the researcher has identified 2 categories of decisions of Ashok Leyland Ltd. and it has been noted that the share prices of Ashok Leyland Ltd. are not being significantly influenced by them. There is a random walk which could be yet again some external sources of power leading into this random walk.

**References**

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