

Causal Estimates of Company Specific Fundamental Factors for Share Price: A Case Study of Selected Sensex Stocks

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ABSTRACT

In the present era of globalisation, technological development and stiff competition, there is a need for comparative analysis of investment alternatives which has its own importance for the best selection of the stock and fundamental analysis is the most pragmatic tool for investors through which they can analyse the financial condition of a company for making rational investment decision. By keeping in view the relevance of this, the present study aims to examine the nature of the relationship of company fundamental factors with its share price and evaluates the impact of company fundamental factors on the share price by considering fundamental factors, such as beta, EPS, P/E, P/B and market capitalisation for the period of 2004-05 to 2013-14. This paper examines the various fundamental parameters of performance of selected Sensex representative companies, i.e. SBI, ITC Ltd., Infosys Ltd. and Tata Steel Ltd. and suggests the best performing company. The study reveals that investment in the shares of SBI and Infosys have more earning. Findings suggest that Tata Steel has an excellent opportunity for investment purpose. P/E and EPS are found to be the good estimator of share price and showed positive impact on share price.

KEYWORDS: Investment, Share price, Sensex, Fundamental factors.

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