



A Study on Financial Valuation at Jumbo Bags LTD

KEYWORDS

Valuation, stock, company

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ABSTRACT Valuation is the process of estimating what something is worth. Items that are usually valued are a financial asset or liability. Valuations can be done on assets (for example, investments in marketable securities such as stocks, options, business enterprises, or intangible assets such as patents and trademarks) or on liabilities (e.g., bonds issued by a company). The first task of financial valuation is to select the information relevant to the decision under consideration to the total information contained in the financial statement. The second step is to arrange the information in a way to highlight significant relationship. The final step is interpretation and drawing of inference and conclusions. Financial statement is the process of selection, relation and evaluation.

INTRODUCTION

Valuation techniques used in the past have shaped the present move toward fair value measurement. Historical cost was a simple valuation method that kept assets on the books at the same value over time. However, fair value accounting has been introduced gradually into the traditional cost method of accounting over many decades. Standards dealing with inventory, investments, financial instruments of all kinds, business combinations and stock options have all been infused with fair value adjustments. Valuations are needed for many reasons such as investment analysis, capital budgeting, merger and acquisition transactions, financial reporting, taxable events to determine the proper tax liability, and in litigation.

The process of determining the current worth of an asset or company. There are many techniques that can be used to determine value, some are subjective and others are objective. For example, an analyst valuing a company may look at the company's management, the composition of its capital structure, prospect of future earnings, and market value of assets. Judging the contributions of a company's management would be more of a subjective valuation technique, while calculating intrinsic value based on future earnings would be an objective technique.

JUMBO BAG LTD.

As a part of the Rs.1500 million BLISS Group of companies, Jumbo Bag Ltd. was established in the year 1990. Started with an initial capacity of 720,000 jumbo bags (FIBCs) Flexible Intermediate Bulk Containers now have the capacity to manufacture over 3.6 million bags per annum, and this has propelled to the position of market leaders.

REVIEW OF LITERATURE

Surendra Komera and Jijo Lukose (2009), undertook an empirical analysis of post bankruptcy performance. They have examined stock returns and operating performance of 101 firms that emerged as "no longer sick" from the BIFR (Board for Industrial and Financial Reconstruction) proceedings during the period 1992 to 2006. As per the short term and long term analysis of market performance using various expected return models and estimates, shows no sign of significant abnormal returns in comparison to the results from the US market. The US market analysis indicates that the market for stocks of four quarters earning of the similar kind of company is informationally efficient. On the other hand, the analysis of operating performance of the Indian sample firms is evident that they are neither making superior operating margin nor utilizing the assets efficiently after emerging from BIFR proceedings. They had also raised doubts about the efficiency of

BIFR proceedings and it may be possible that the proceedings may allow inefficient firm to reorganize and survive.

Commerce and industry create jobs for members of society, and produce goods and services which contribute to the gross domestic product of the country. The activities involve trade, which leads to exports and imports contributing to the foreign exchange holdings. The activities also culminate in the payment of taxes which assists in the governance of the country and promotes the ability to provide essential services for the citizens. For the companies quoted on the Stock Exchange, investors trade on shares to create wealth for themselves as well as for the country.

OBJECTIVES OF THE STUDY

- To study the share price fluctuations of jumbo bags Ltd.,
- To find out the compound growth rate of shares.
- To identify the moving average of shares
- To suggest measures to improve the financial position of the company

DATA ANALYSIS AND INTERPRETATION COMPOUND ANNUAL GROWTH RATE

$$CAGR = \left(\frac{\text{Ending Value}}{\text{Beginning Value}} \right)^{\left(\frac{1}{\# \text{ of years}} \right)} - 1$$

TABLE-1 SHOWING COMPOUND GROWTH RATE DURING APRIL 2012 TO MARCH 2013

Month	High Price	Low Price	Average	CGR
April 2012	14.65	12.21	13.43	0.047623
May 2012	13.80	10.40	12.1	0.057663
June 2012	11.85	9.00	10.425	0.073621
July 2012	11.95	10.15	11.05	0.077174
August 2012	12.60	9.21	10.905	0.087976
September 2012	10.65	9.16	9.905	0.110694
October 2012	10.45	9.00	9.725	0.131534
November 2012	9.50	8.34	8.92	0.172085
December 2012	10.20	8.50	9.35	0.205214
January 2013	10.00	8.41	9.205	0.277929
February 2013	9.80	7.32	8.56	0.448306
March 2013	8.95	6.40	7.675	1

INFERENCE:

The highest share price in the month of April 2012, was 14.65 and very less share price in the month of March 2013 as 8.95. The share price shows the fluctuating trends during April 2010 to March 2011. There is increasing trend towards growth rate.

TABLE-4.10 SHOWING THE SHARE PRICE MOVEMENT OF THE SHARES DURING APRIL 2012- MARCH 2013

Month	Share Price	Moving Average
April 2012	13.43	
May 2012	12.1	11.985
June 2012	10.425	11.19167
July 2012	11.05	10.79333
August 2012	10.905	10.62
September 2012	9.905	10.17833
October 2012	9.725	9.516667
November 2012	8.92	9.331667
December 2012	9.35	9.158333
January 2013	9.205	9.038333
February 2013	8.56	8.48
March 2013	7.675	

INFERENCE:

Price moves along with the moving average, it is a hold signal. Hence the hold signal is generated in the figure, the market may be goes up or goes down if the stock line moves along with the market average, it is a hold signal.

FINDINGS:

1. It is found that The highest growth rate (CGR) of Jumbo Bags Ltd in the month of March., was 0.3589 and very less growth rate in the month of September 2008 as 0.018392
2. It is found that The highest share price in the month of April 2012, was 14.65 and very less share price in the month of March 2013 as 8.95.
3. Price crosses below the moving average, the bearish market was expected between 2008- 2009 and 2010-2011. The stock line pushes down through the market average, it is sell signal.
4. Price moves along with the moving average, the market was either bullish or bearish during 2011-2012 and 2013 - 2014. The stock line moves along with the market average, it is a hold signal.

SUGGESTIONS

1. The long term investor invest in frontline stocks, which helps to keep their income regular and steady.
2. Before investing into any shares, the company has to see the price earning ratio and relative strength index of shares.
3. In case the shares are not giving profit, the investor have to make stop investing this helps to reduce their loss.
4. Corporate announcements of companies make changes in the scrip price and the announcement made by the company favour for investors.

CONCLUSION

This study is intended to know about the price movements of shares of Jumbo Bags Ltd.,. The study reveals that there will be a frequent fluctuation in the share market so it is difficult to predict the stock price movement. Therefore to avoid such chaos the company has to make a constant research in stock price movement and also can create awareness to the public. Major criteria in the share market are supply and demand. This denotes the price of each and every scrip's. The other criteria's for determining the share price is the investor intentions towards the share market, dividend and stock splits to investor by the company for every quarter when they yield profit.

REFERENCE

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