

Introduction:

The management of business has the task of conducting business Performance analysis. The modern corporate business looks for not only financial performance also Technical performance analysis. The present study is to fulfill the modern corporate business performance ambition by conducting the study of financial and Technical performance of the company.

Industry profile

The word paper derives from the word papyrus and is a substance composed of fibers interlaced into a compact web, which can then be macerated into pulp, dried and pressed. Today, paper includes a wide range of products with very different applications: communication, cultural, educational, artistic, hygienic, sanitary, as well as for storage and transportation of all kinds of goods. It's almost impossible to imagine a life without paper we depend on this Paradoxical material. Little can happen in modern life without paper or board (a particular form of paper) and millions of tones of it are made and used each year.

Paper is incredibly versatile: it can be permanent or transit, delicate or strong, cheap or expensive, abundant or scarce. It can be preserved in a museum or thrown away. It can decompose in water and yet, when suitably treated, it can be used to make maps that withstand the weather and even the hulls of boats.

Paper may be impregnated, enameled, mealiest, made to look like parchment, creped, waterproofed, waxed, glazed, sensitized, bent, turned, folded, twisted, crumpled, cut, torn, dissolved, macerated, molded or embossed. It may be colored, coated and printed. It can be marked and then the mark erased. It can be laminated with itself or with fabric, plastic or metal. It can be opaque, translucent or transparent. It may be made fire-resistant. It may be used as a carrier, a barrier or a filter. It may be tough enough to withstand acid or soft enough for a baby's skin. It can be from, laid on or worn as a garment. It may disintegrate or it may be reused, but it is, over all, resource.

All around us paper has been used as part of our everyday life. The range of possible uses for paper is almost limitless and new ways of using it are being devised daily. The millennium will be dominated by the progress that has been made in computer science, thus triggering a complete change in our commercial and private communication and information behavior.

Clearly there will be huge amount of data being generated electronically, but the issue is how to preserve it. The difficulties of data storage over a long period of time are well known (for example, the durability of disks; frequent changes of hard and software, electronic breakdowns etc.) once again, paper offers the most convenient and durable storage option. The advance in technology will affect only the printing of items like short-lived handbooks and encyclopedias.

Reading a book will remain a great pleasure into the future and paper, as a ubiquitous material with its many uses, will continue to play an influential role. Many artists will continue to express themselves by using this most versatile material.

Newsprint: paper mainly used for printing newspaper. It is made largely from mechanical pulp and/or waste paper, with or without a small amount of filler. Weights usually range from 40 to 52g/m² but can be as high as 65g/m². Newsprint is machine-finished or slightly calendared, white or slightly colored and is used in reels for letterpress, offset or flexo printing.

Magazine Paper: This is uncoated mechanical paper, suitable for printing or other graphic purposes where less than 90% of the fiber furnishes consists of chemical pulp fibers. This grade is also known as ground wood or wood-containing paper and magazine paper, such as heavily filled super-calendared paper for consumer magazines printed by the rotogravure and offset methods.

Writing Paper: This is uncoated wood free paper, suitable for printing or other graphic purposes, where at least 90% of the fibers furnish consists of chemical pulp fibered. Uncoated wood free paper can be made form a variety of furnishes, with variable levels of mineral filler and a range of finishing processes such as sizing, calendaring, machine-glazing and watermarking.

About TNPL:

TNPL is an acknowledged leader in India's paper industry. Guided by the principle of environment responsibility, the company manufactures paper and newsprint using a raw material (baggase) and a technology that protect the earth's resources and bio-diversity for generations to come. Each TNPL product is also a result of customer-focused research and development across six major product segments: premium printing, computer stationery, business stationery, writing paper and newsprint.

TNPL possesses a rich pedigree. Its milestone project was promoted by the Government of TamilNadu with financial assistance from the World Bank in 1979. TNPL globally pioneered the manufacture of newsprint from bagasse (a renewable resource obtained as a residue from the manufacture of sugar). In doing so, the company redefined the technology of the manufacture of printing and writing paper from bagasse.

The company commissioned a 90,000 tpa plant in 1985, proactively doubled its capacity in 1996 and enhanced its capacity through machine up-gradation in 2002. As a result, TNPL'S installed capacity of 2, 30,000 tpa represents the world's capacity among non-wood based mills today and is the largest single-location integrated paper mill in India. TNPL'S investment in state-of-the-art machines and the consequent technology edge have translated into a high quality and large volume of finished paper, customized closely to user requirements. TNPL's investment in state-of-the-art machines and the consequent technology edge have translated into a high quality and large volume of finished paper, customized closely to user requirements. TNPL's swing capacity enables its paper machines to switch from the manufacture of newsprint to printing-writing paper and vice-versa, in line with market requirements.

DISPERSED MARKETS

TNPL's products are well received in the global market. The company markets its products within India and over 20 countries including Srilanka, South East Asia, Middle East, Africa and the Mediterranean region. TNPL exported in excess of 25,000

tones for the fourth consecutive year in 2002-03, emerging as the largest exporter of wood-free printing and writing paper from India.

In 2001-02, it was accredited with the 'Nirayathshre' award and the 'CAPLEXIL' award for the fourth successive year. The Government of India conferred the 'Trading House' status on the company for its outstanding export performance.

ECO-FRIENDLY PRACTICES

TNPL employs responsible, environment-friendly manufacturing practices. Its manufacturing technology utilizes renewable raw material, conserves resources, minimizes waste and generates power for captive use through eco-friendly means. Its mill effluent water is treated using world-class technology that conforms to exacting standards.

CONFIDENCE-ENHANCING CERTIFICATIONS

TNPL's design excellence, quality commitment and system compliance have been validated by the ISO 9001:2000 certification, while its environment management system has been endorsed by the ISO 14001 certification. The most significant contribution of TNPL to the country has been that it conserves about 360,000 tones of wood annually, thereby saving 30,000 acres of forestland from commercial exploitation. TNPL believes that substantial investment in environment compliance is inevitable for long term success.

Review of literature

Mr. Vivek. N, professor, Department of Management of Science, PSG College of Technology, Coimbatore, 2003 has published a research paper titled "A Study on volatility and entry point options for BSE listed Stocks", in the business Research conference (2003) held at PSG college of Technology. His main research objectives are 1, to measure the volatility of fixed Stocks in BSE for six years 2, to study the general market volatility year by year. He has used judgment sampling and selects 28 stocks from the BSE listed stocks.

Ms. Preethi Singh, Department of Commerce, Jesus and Marry College, University of Delhi, Delhi, 2003 have published a paper titled "A study on stock volatility and Financial Performance of L& T Limited , Her main objectives are, the technical analysis do believe that the Prices of stock fluctuate around the true intrinsic value of stock.

Fundamental Analysis

The objective of fundamental analysis is to appraise the 'intrinsic value' of a security. The intrinsic value is the true economic worth of a financial asset. The fundamentalists maintain that at any point of time every share has an intrinsic value which should in principle be equal to the present value of the future stream of income from that share discounted at an appropriated risk related rate of interest. The actual price of the security, therefore, is considered to be a function of a set of anticipated capitalization rate. Price changes as anticipation changes which in turn changes as a results of new information. The fundamentalists then argue that in case

this is something less than complete information, the actual price of the stock is generally away from its intrinsic value. Thus they believe that market can often be wrong in appraising the value of a share of a company. Hence, the job of the fundamental security analyst is to sort out the temporary disequilibrium from the true shifts in the national economy and the accounting gimmick from true changes in the firm's income in order to arrive at unbiased estimates of the intrinsic value.

Relying upon this reasoning, the fundamentalists attempt to estimate the real worth of a security by considering the earning potential of a firm which in turn will depend on investment environment factors such as state and growth of national economy, monetary policies of the Reserve Bank Of India, Corporate Law, Social and political environment and the factor relating to the specific industry such as state of political environment and the growth potential of the industry. It will depend to a large extent, on the firm's competitiveness, its quality of the management, operational efficiency, and profitability.

Capital structure and dividend policy. However, the firm or the Stock market cannot be analyzed in vacuum. All firms' work within the economic environment, their survival will depend on how the economy as a whole is faring. During periods of economic prosperity the demand for goods and services of the firm is likely to result in increased sales and higher profits. The expectation of the growth of economy is favorable for the stock market.

In order to obtain investment perspective, we must determine the state of the economic environment in which we invest. Essentially, we must determine the current condition of the economy, where it is headed, and the implications for investment decisions. Such an analysis allows us to select the sectors of the economy that appear to offer profitable opportunities. This analysis will also help establish what type of investment should be undertaken among real assets, risk less investments, intermediate or long term bonds or common stocks.

Analysis of the Industry

The industries that contributed to the output of the major segments of the economy vary in their growth rate and in their overall contribution to economic activity. Some have grown more rapidly than the GNP and offer the expectation of continued growth. Others have maintained a growth comparable to that of the GNP. A few have been unable to expand and have decline in economic significance. If we have been unable to expand and have decline in economic significance. If we are to succeed as investor, we must analyze the economic significance of industries and invest in those that offer continued success, measures by the industry's ability to compete for its appropriate share of the GNP.

Seeking industries that are expected to grow at faster than the "real" rate of GNP for the future seems to be a logical starting position. We can find successful companies in industries that are not growing. On the other hand, investment success is more likely to be found in growing and strongly competitive industries. The danger in this thesis is that investors tend to bid up the price of these assets in the market place. An over - enthusiastic investor might pay too much for a share of stock in such industries.

Technical Analysis

Technical analysis is probably the most controversial aspect of Investment management. That technical analysis is a delusion, that it can never be any more useful in predicting stock performance than examining the insides of a deep sheep, in the ancient Greek tradition.

The term Technical analysis is used to mean fairly wide range of techniques; all based on the concept that past information on prices and trading volume of stocks gives the enlightened investors a picture of what lies ahead. It attempts to explain and forecast changes in security prices by studying only the market data rather than fundamental analyst does information about a company or its prospects as.

This technical analyst believes that the price of a stock depends on supply and demand in the market place and has little relationship to value, if any such concept even exists. Price is governed by basic economic and psychological inputs so numerous and complex that no individual can hopes to understand and measure them correctly. The technician thins that the only important information to work form is the picture given by price and volume statistics.

The technician sees the market, disregarding minor changes, moving in discernible trends, which continue for significant periods. A trend is believed to continue until there is defined information of a change. The past performance of a stock can the be harnesses to predict the future. The direction of price change is as important as the relative size of the change. With his various tools, the technician attempts to correctly catch changes in trend and take advantage of them.

Dow's Theory

The Dows Theory (not to be confused with Dows Jones Averages), Proposed by Charles Dow shortly after the turn of the century and extended in a book by Samuel Nelson after Dow's untimely death, is one of the oldest technical methods still widely followed. There are many versions of this theory, but essentially it consists of three types of market movements; the major market trend, which can often last a year or more; a secondary intermediate trend, which can move against the primary tens of one to several months; and minor movements lasting only for hours to a few days . The determination of the major market trend is the most important decision to Dow believer.

Although Charles Dow believed in fundamental analysis, the Dow Theory has evolved into a primarily technical approach to the stock market. It assets that stock prices demonstrate patterns over four to five years and these patterns are mirrored by indices of stock prices. The Dow Theory employees two of the Dow Jones average, the industrial average and the transportation average. The utility average is generally ignored.

The Dow Theory is built upon the assertion that measures of stock Prices tend to move together. If the Dow Jones industrial average is rising, then, the transportation average should also be rising. Such simulations price movements suggest a strong bull market. Conversely, a decline in both the industrial and transportation average are moving in opposite directions, the market is uncertain as to direction of future stock prices.

If one of the averages starts to decline after a period of rising stock Prices, then the two are at odd. For example, the industrial average may be rising while the transportation average is falling. This suggests that the individuals may not continue to rise but may soon start to fall. Hence, the market investor will use this signal to sell securities and converts to cash.

The converse occurs when after a period of falling security prices one of the averages starts to rise while the other continues to fall. According to the Dow Theory, this divergence suggests that this phase is over and that security prices in general will soon start to rise. The astute investors will then purchase securities in anticipation of the price increase.

Efficient Market Hypothesis

Market efficiency implies that all known information is immediately discounted by all investors and reflected in share prices in the stock market. As such, no one has information edge. In the ideal efficient market, every one knows all possible- to-know information simultaneously, interprets it similarly, and behaves rationally. But, human beings what they are, this of course rarely happens.

In such a world, the only prices changes that would occur are those, which results from new information. Since there is no reason to expect that information would be non-random in its appearance, the period-to-period price changes of a stock should be random movements, statistically independent of one another. The level of stock prices will, under these conditions, describe what statisticians call a 'random walk' and physicists call Brownian motion. In the normal course of events, the level of prices, i.e., the summation of these random movements will show movements that look like cycle but in fact are not.

The explanation of the apparent randomness of stock prices lies in Understanding the Markey-making mechanism. In an efficient market, liquid capital will channel quickly and accurately where it will do the community the most good. Efficient markets will provide ready finance for worthwhile business venture and drain capital away from corporations, which are poorly managed, or producing obsolete products. It is essential that a country have efficient capital markets if that that country is to enjoy highest possible level of wealth, welfare and education for population. One of the main reason that some of the undeveloped countries do not advances is that they have insufficient capital markets. In inefficient capital markets prices may be fixed or manipulated rather than determined by supply and demand. Capital may be controlled by a few wealthy people and not be fluid and flow were it is needed. Graft, corruption, and public distrust can cause money to be hoarded rather than invested in the capital markets; or investors may be ignorant and unable to distinguish between worthwhile business ventures and bad investment.

Forms of the Efficiency Market Hypothesis

Tests of the market efficiency are essentially tests of whether the three general types of information- past prices, other public information and inside information - can be used above - average return regardless of the information available, unless abnormal risk is taken . Moreover, no investor or group of investors can consistently out perform other investors in such a market.

A. Weak-Form (Random-Walk)

This is the oldest statement of the hypothesis. It holds that Present stock market prices reflect all known information with respect to past stock prices, trends and volumes. Thus, it asserts, such past data cannot be used to predict future stock prices. Thus, if a sequence of closing prices or successive day for XYZ stock has been 43,44,45,46,47, it may seem that tomorrow's closing price is more likely to be 48 than 46, but it is not so. The price of 47 fully reflects to be 48 implied by or contained in the price sequence preceding it. In other words, the stock price approximates a random walk. (That is why sometimes the terms Random Walk Hypothesis and efficient market hypothesis are used interchangeably). As time passes, prices wander or walk more or less randomly across the charts. Since the walk is random, knowledge of past price changes does nothing to inform the analyst about whether the price tomorrow, next week, or next year will, be higher or lower than today's price.

B. Semi - Strong Form

The semi strong form of the effective market hypothesis centers on how rapidly and efficiently market prices adjust to new public ally available information, including:

- * Expectation regarding contents of future reports from individual corporation, for example, future changes in earnings, dividends, capital structure, sales, an the like. Current prices, according to the theory, should reflect rational expectation regarding these future realizations.
- * Incompatibilities between many competing published data series and revision of data series previously published, for example, by governmental department and agencies, particularly corporate profits and related data series. Efficiency implies, among other things, that the market correctly expects and acts no upon planned or possible future revisions of either published data or accounting method.
- * Increasing politicization of economic data, particularly price inflation rate or cost of living data and unemployment rates.

C. Strong Form

The strong form is concerned with whether or not certain Individuals or groups of individuals possess inside information which can be used to make above average profits. If the strong form of the efficient capital market hypothesis holds, then any day is as good as any other day to buy any stock.

Scope of the Study

This study is conducted at Chennai. The topic is "A Study on Stock Volatility, Technical and Financial Performance of TNPL". So the project work is confined to finance department only. This study engages in financial statement analysis like technical analysis, Fundamental analysis, Dows theory, ratio analysis Efficient market hypothesis have been used. Based on analysis some findings and recommendations are given.

Objectives of the Study

Primary Objective:

The study the stock volatility, technical and financial performance of TNPL.

Secondary Objectives:

- * To measure the stock volatility of the company.
- * To verify the EMH Approach using technical analysis of the company.
- * To develop an industry average and compare it with the company.
- * To analyze the present trend (Buying/Selling) of the company.

Limitations of the Study

- * Figures available for the analysis from the company were only for the last 5 years.
- * Since the analysis has been constructed on the basis of data available, the inherent limitations of financial statement are the limitations of the analysis.

Research Methodology

Type of Research

This study is confined to exploratory research which in fact deals with the depth and in sight of the details and the built-binding concept was arrived after a deep analysis and interpretation in to the salts or the data collector.

Methodology of the Study:

The research tools employed for the data gathering where mainly secondary data which was used for the study.

Sources of Data:-

Company's Catalogue, annual reports and share prices are the main source of secondary data. Research and analysis of the past 3 years have been taken from analyzed annual reports. The stock prices for the last 3 yrs were collected from 1 fine and lists enclosed in the annex use.

Industry average:-

The researcher has taken four companies (TNPL, Ballarpur, Orient Paper, SPB) to calculate the industry average. These four companies are the highly volatile stock in the paper industry. So these four companies daily closing price was taken and the earnings were calculated. After calculating the earnings a 9 day moving average was calculated and all the four companies moving average was added together and an average was found out from them. This is taken as industry average for the study.

Period of Study:-

The statements are extracted from balance sheet. Profit & Loss account and statistical records, which are under the core of finance department. The Period of study is being limited to three yrs upto 2005.

Method of analysis:-

- * Fundamental analysis
- * Technical analysis
- * Dows theory
- * Efficient market hypothesis
- * Ratio analysis.
- * 9-day moving average.

Summary of Findings:

- 1) From the graph (5) it is found that TNPL stock is highly volatile during the last two years and currently it shows an increasing trend.
- 2) The graph (6) shows the prediction of buying / selling signals as per Grand strategies of technical analysis currently we can buy the share.
- 3) By analyzing stock prices for last 3 years it's found that the stock prices moving increase and decrease. During March and April income (ie before and after the announcement of financial results). Hence announcement effect of EMH approach is proved.

Suggestions and recommendations

- 1) The company stock was highly volatile in the last 3 years and the stock price was moving up and down based on the industry fluctuation. In the current year it showed a positive trend moving up the ladder which is a good sign for the company. To keep it as the company must try to improve the financial performance which will improve the company's performance as a whole.
- 2) By plotting a technical chart the announcement effect of EMH approach was proved by this research. So the stock is an idle one and the investors are very rational. The investors are very much interested in knowing the company's performance which forces the company to perform well.
- 3) From the paper industry trend it is found that the stock prices are very highly volatile and they are not as consistent as TNPL currently the company compared with industry average. The company stocks prices are slightly lower than the industry. Taking in to the view of industries volatility we can suggest that the companies share price movement is very highly satisfactory and the management should try to maintain the same in the future.
- 4) By applying the golden rules of technical analysis it is found that we can buy the company's stock as a speculator and also as an investor.

Conclusion

-- From the study of stock volatility and performance of the company we can conclude that the company's general performance is very good and in the current year of the company has increased their capital. The last three years the dividend gives 27.5% of the Net profit. So the stock became highly volatile due to this information.

-- Even though public knows the information the stock price has slightly increased and also all too technical analysis how the trend is a selling trend.

-- So to conclude the company uses the suggestions given by the researchers and try to implement those suggestions will improve the performance of the company.

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