STUDYING THE IMPACT OF FINANCIAL RISK FACTORS ON THE SHARE PRICE OF IT COMPANIES WITH SPECIAL REFERENCE TO TCS, WIPRO, AND 3I INFOTECH

Neema Chauhan*

ABSTRACT

This study is providing empirical evidence on the importance of financial risk factors in rating the IT companies. Before, credit decisions were taken on the basis of ratios which were derived from financial statements of the borrower. The main criteria for identifying a sick unit are the company which should not be less than five years after its incorporation and the accumulated losses of the company which should be equal to or more than its net worth.RBI advised the commercial banks to recognize income on realization basis only up to five categories of loans out of eight categories. The prime factor for the absence of any strong empirical evidence on credit risk quantification in the Indian market is the lack of uniformity in the recognition of default companies.

*Assistant Professor, Tilak Raj Chadha Institute of Management and Technology, Yamuna Nagar, Haryana

INTRODUCTION

Risk management has become an integral part of international business strategy, and accountants use quantitative tools to measure and analyze risk. The job of the Chief Financial Officer is to identify and address all types of risk, establish support and control mechanisms for dealing with it, and set the course for the risk management team in terms of its policies and objectives. Risk concerns the expected value of one or more results of one or more future events. Technically, the value of those results may be positive or negative. However, general usage tends focus only on potential harm that may arise from a future event, which may accrue either from incurring a cost ("downside risk") or by failing to attain some benefit ("upside risk").

Financial risk - The possibility that shareholders will lose money when they invest in a company that has debt, if the company's cash flow proves inadequate to meet its financial obligations. When a company uses debt financing, its creditors will be repaid before its shareholders if the company becomes insolvent.Financial risk also refers to the possibility of a corporation or government defaulting on its bonds, which would cause those bondholders to lose money.

External & Internal Factors of Financial Risk

Financial risk refers to the risks that businesses run when making investments, planning for the future and conducting day-to-day operations. All businesses run some risk in making financial decisions. Some of these risks are external, depending on outside factors and decisions made by other organizations and consumers. Other risks are internal and deal with the chance that the strategies and actions the business leaders choose may have negative effects on operations.

Market Rates

Market rates are one of the most pervasive types of external factors when it comes to financial risk. The market changes based on consumer interest, supply and demand and new elements like technology. When the economy speeds up or slows down, interest rates for bonds and loans change. These changing rates can make it more expensive for a business to get a loan, or require it to make higher payments on bonds it uses to generate capital.

Regulation

Government regulation is another important factor in all financial planning. Governments create tariffs (or taxes on imports and exports), changing existing tax laws and put new financial regulations into place constantly. Some changes are beneficial, such as creating tax deductions for certain business actions. Others can make it more difficult for a business to make a profit, such as lowering Treasury bond rates and adding new requirements to tax reports.

Credit

Credit is halfway between being an external and internal factor. In many ways, business credit is an external factor of risk, because it depends on what outside lenders are willing to loan, and the rates or requirements lenders choose for the business. On the other hand, credit depends on the past decisions the business has made, what lenders it approaches and its current financial position -- internal factors.

Liquidity

Liquidity is simply how easy it is for a business to turn securities into cash. Cash is the most liquid type of fund, but it also makes the least amount of money. Businesses must balance how much cash they hold for emergencies with less liquid securities like bonds or shares.

Cash Flows

Cash flow refers to the daily revenues and expenses of the business. This is an internal factor of risk that depends on what expenses a business choose to pay and how much revenue is directed to specific areas of the business.

<u>Types of Financial Risks:</u>

Financial risk is one of the high-priority risk types for every business. Financial risk is caused due to market movements and market movements can include host of factors. Based on this, financial risk can be classified into various types such as Market Risk, Credit Risk, Liquidity Risk, Operational Risk and Legal Risk.

Market Risk:

This type of risk arises due to movement in prices of financial instrument. Market risk can be classified as **Directional Risk** and **Non - Directional Risk**. Directional risk is caused due to movement in stock price, interest rates and more. Non- Directional risk on the other hand can be volatility risks.

Credit Risk:

This type of risk arises when one fails to fulfill their obligations towards their counter parties. Credit risk can be classified into **Sovereign Risk** and **Settlement Risk**. Sovereign risk usually arises due to difficult foreign exchange policies. Settlement risk on the other hand arises when one party makes the payment while the other party fails to fulfill the obligations.

Liquidity Risk:

This type of risk arises out of inability to execute transactions. Liquidity risk can be classified into **Asset Liquidity Risk** and **Funding Liquidity Risk**. Asset Liquidity risk arises either due to insufficient buyers or insufficient sellers against sell orders and buy orders respectively.

Operational Risk:

This type of risk arises out of operational failures such as mismanagement or technical failures. Operational risk can be classified into **Fraud Risk** and **Model Risk**. Fraud risk arises due to lack of controls and Model risk arises due to incorrect model application.

Legal Risk:

This type of financial risk arises out of legal constraints such as lawsuits. Whenever a company needs to face financial loses out of legal proceedings, it is legal risk.

THEORETICAL FRAMEWORK

This study depicts the impact of some independent variables on dependent variables which is affected due to change in any one independent variable and analysis that impact with respect to the Information Technology sector.

Construct: To analyse the impact of financial risk on stock price of the TCS, WIPRO, 3i INFOTECH taking the independent variables as Debt-Equity ratio, Interest coverage ratio, Return on capital employed ratio, Inventory turnover ratio, Net profit margin ratio and studying their impact on the dependent variable as stock pric

RESEARCH OBJECTIVES

IT sector, nowadays has changed its meaning from a minor sector to a major sector and through this study objectives are fulfilled to study the impact of proportion of debt and equity, change in interest coverage and net profit due to change in the stock price of the companies. Also to determine the rate of return on capital employed and turnover in respect of inventory of these three major players in the sector of information technology. Comparative study is evolved to inform about the best player among three with the help of statistical tool-correlation and hypothesis testing- T-test.

HYPOTHESIS DEVELOPMENT

NULL HYPOTHESIS- H0	ALTERNATE HYPOTHESIS-H1
HYPOTHESIS- 1	
H0: There is no significant change in debt due to change in stock price.	H1: There is significant change in debt due to change in stock price.
HYPOTHESIS-2	
H0: There is no significant change in interest due to change in stock price.	H1: There is significant change in interest due to change in stock price

HYPOTHESIS-3	
H0: There is no significant change in net profit due to change in stock price.	H1: There is significant change in net profit due to change in stock price.
HYPOTHESIS-4	
H1: There is significant change in net profit due to change in stock price.	H1: There is significant change in ROCE due to change in stock price.
HYPOTHESIS-5	
H0: There is no significant change in inventory due to change in stock price	H1: There is significant change in inventory due to change in stock price.

HYPOTHESIS TESTING:-

1. H0: There is no significant change in debt due to change in stock price.

H1: There is significant change in debt due to change in stock price.

TCS

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
debtequityratio	5	.0100	.00000	.00000

One-Sample Test

	Test Value = 0					
					95% Confidence Interval of the Difference	
	T	df	Sig. (2-tailed)	Mean Difference	Lower	Upper
debtequityratio	8.926E16	4	.000	.01000	.0100	.0100

WIPRO

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
debtequityratio	5	.2960	.07701	.03444

One-Sample Test

	Test Value = .20					
					95% Confidence Interval of the Difference	
	T	df	Sig. (2-tailed)	Mean Difference	Lower	Upper
debtequityratio	2.788	4	.049	.09600	.0004	.1916

3i INFOTECH

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
debtequityratio	5	2.5460	.60740	.27164

One-Sample Test

	Test Value = 2					
					95% Confidence Interval of the Difference	
	T	df	Sig. (2-tailed)	Mean Difference	Lower	Upper
debtequityratio	2.010	4	.011	.54600	-.2082	1.3002

As the significance level is 5% and p- value comes to .000 of TCS,.04 of WIPRO,.01 of 3i INFOTECH which is less than .05, hence we reject the null hypothesis and accept the alternative hypothesis which means that there is a significant change in debt due to change in stock price.

2. H0: There is no significant change in interest due to change in stock price.

H1: There is significant change in interest due to change in stock price.

TCS

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
Interestcoverage ratio	5	823.8600	349.46588	156.28589

One-Sample Test

	Test Value = 823					
					95% Confidence Interval of the Difference	
	t	df	Sig. (2-tailed)	Mean Difference	Lower	Upper
Interestcoverage ratio	.006	4	.026	.86000	-433.0592	434.7792

WIPRO

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
Interestcoverage ratio	5	57.3840	31.99155	14.30706

One-Sample Test

	Test Value = 50					
					95% Confidence Interval of the Difference	
	t	df	Sig. (2-tailed)	Mean Difference	Lower	Upper
Interestcoverage ratio	.516	4	.046	7.38400	-32.3388	47.1068

3i INFOTECH

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
Interestcoverage ratio	5	2.7520	1.74530	.78052

One-Sample Test

	Test Value = 1.5					
					95% Confidence Interval of the Difference	
	t	df	Sig. (2-tailed)	Mean Difference	Lower	Upper
Interestcoverage ratio	1.604	4	.028	1.25200	-.9151	3.4191

As the significance level is 5% and p- value comes to .02 of TCS,.04 of WIPRO,.02 of 3i INFOTECH which is less than .05, hence we reject the null hypothesis and accept the alternative hypothesis which means that there is a significant change in interest due to change in stock price.

3. H0: There is no significant change in net profit due to change in stock price.

H1: There is significant change in net profit due to change in stock price.

TCS

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
Netprofit margin	5	24.1140	2.07893	.92972

One-Sample Test

	Test Value = 24					
					95% Confidence Interval of the Difference	
	T	df	Sig. (2-tailed)	Mean Difference	Lower	Upper
Netprofit margin	.123	4	.019	.11400	-2.4673	2.6953

WIPRO

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
Netprofit margin	5	16.8080	2.97436	1.33017

One-Sample Test

	Test Value = 10					
					95% Confidence Interval of the Difference	
	T	df	Sig. (2-tailed)	Mean Difference	Lower	Upper
Netprofit margin	5.118	4	.007	6.80800	3.1148	10.5012

3i INFOTEH

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
Netprofit margin	5	24.2800	29.39798	13.14718

One-Sample Test

	Test Value = 20					
					95% Confidence Interval of the Difference	
	T	df	Sig. (2-tailed)	Mean Difference	Lower	Upper
Netprofi tmargin	.326	4	.058	4.28000	-32.2224	40.7824

As the significance level is 5% and p- value comes to .00 of TCS,.01 of WIPRO,.05 of 3i INFOTECH which is less than .05, hence we reject the null hypothesis and accept the alternative hypothesis which means that there is a significant change in net profit due to change in stock price.

4. H0: There is no significant change in ROCE due to change in stock price.

H1: There is significant change in ROCE due to change in stock price.

TCS

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
Returnoncapital employed	5	45.6680	5.43646	2.43126

One-Sample Test

	Test Value = 40					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference Lower	Upper
Returnoncapitalemployed	2.331	4	.028	5.66800	-1.0823	12.4183

WIPRO

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
Returnoncapitalemployed	5	23.3620	2.03580	.91044

	Test Value = 20					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference Lower	Upper
Returnoncapitalemployed	3.693	4	.021	3.36200	.8342	5.8898

3i INFOTECH

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
Returnoncapitalemployed	5	6.5920	3.40639	1.52339

One-Sample Test

	Test Value = 4					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference Lower	Upper
Returnoncapitalemployed	1.701	4	.016	2.59200	-1.6376	6.8216

As the significance level is 5% and p- value comes to .02 of TCS,.02 of WIPRO,.01 of 3i INFOTECH which is less than .05, hence we reject the null hypothesis and accept the alternative hypothesis which means that there is a significant change in return on capital employed due to change in stock price

5. H0: There is no significant change in inventory due to change in stock price.

H1: There is significant change in inventory due to change in stock price

TCS

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
Inventoryturnover ratio	5	449.5460	297.99567	133.26772

One-Sample Test

	Test Value = 440					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Inventoryturnover ratio	.072	4	.019	9.54600	-360.4645	379.5565

WIPRO

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
Inventoryturnover ratio	5	46.4820	6.31214	2.82287

One-Sample Test

	Test Value = 40					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Inventoryturnover ratio	2.296	4	.038	6.48200	-1.3556	14.3196

As the significance level is 5% and p- value comes to .01 of TCS,.03 of WIPRO of which is less than .05, hence we reject the null hypothesis and accept the alternative hypothesis which means that there is a significant change in inventory turnover ratio due to change in stock price

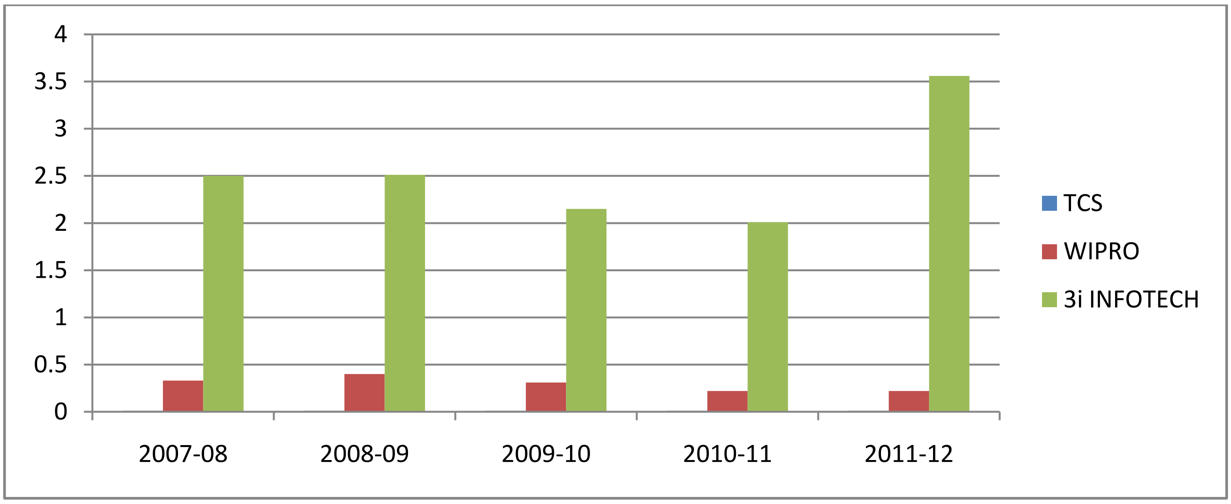
RATIO ANALYSIS

1 .DEBT-EQUITY RATIO:-

Debt-to-equity ratio is the key financial ratio and is used as a standard for judging a company's financial standing. It is also a measure of a company's ability to repay its obligations.

Debt equity ratio = $\frac{\text{DEBT}}{\text{EQUITY}}$

YEAR	TCS	WIPRO	3i INFOTECH
2007-08	0.01	.33	2.50
2008-09	0.01	.40	2.51
2009-10	0.01	.31	2.15
2010-11	0.01	.22	2.01
2011-12	0.01	.22	3.56



INTERPRETATION: Here we can see that TCS is mainly dependent on the equity and using very less debt so it may be due to that return on equity may be less. But if we compare the three companies then we can see that TCS is not using debt in its capital structure and mainly focusing on the owned capital but in 3i INFOTECH the debt proportion is very high which means that this company does not have solvent position and Wipro is having a fluctuating structure which shows that the structure of Wipro will have a fluctuating impact on the EPS.

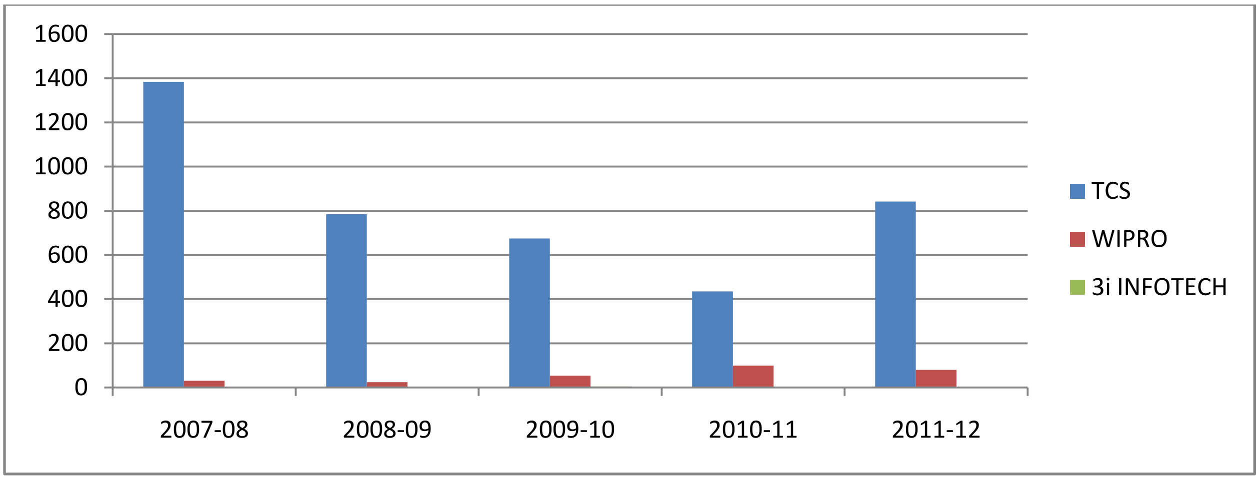
2. INTEREST COVERAGE RATIO

A ratio used to determine how easily a company can pay interest on outstanding debt

$$\text{Interest Coverage Ratio} = \frac{\text{EBIT}}{\text{Interest Expense}}$$

The lower the ratio, the more the company is burdened by debt expense. When a company's interest coverage ratio is 1.5 or lower, its ability to meet interest expenses may be questionable. An interest coverage ratio below 1 indicates the company is not generating sufficient revenues to satisfy interest expenses.

YEAR	TCS	WIPRO	3i INFOTECH
2007-08	1383.58	30.71	3.65
2008-09	784.41	23.85	3.57
2009-10	674.43	53.67	4.52
2010-11	435.25	99.37	1.88
2011-12	841.63	79.32	0.14



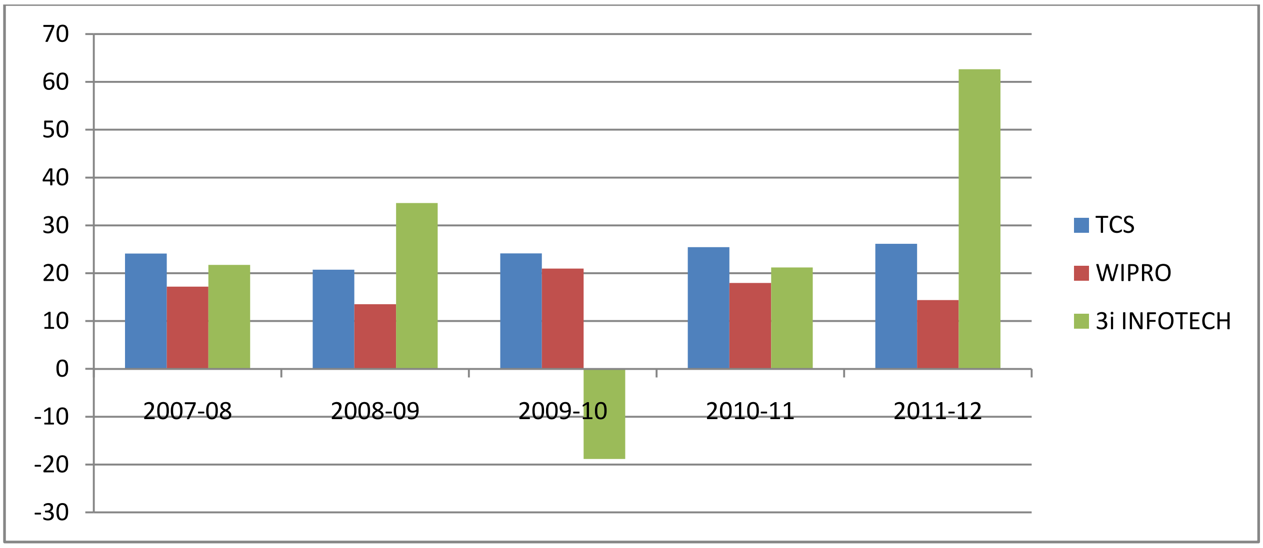
INTERPRETATION: Here we can see that interest coverage ratio of 3i INFOTECH is going down because dependence of 3i INFOTECH is increasing every year but TCS company has too high ratio which means that this company is earning very good revenues. Although ratio of Wipro is increasing but it is less fine in comparison to TCS. This ratio is fluctuating every year.

3. NET PROFIT MARGIN

Net profit margin is the percentage of revenue remaining after all operating expenses, interest, taxes and preferred stock dividends (but not common stock dividends) have been deducted from a company's total revenue.

NET PROFIT MARGIN (%) = $\frac{\text{NET PROFIT}}{\text{SALES}} * 100$

YEAR	TCS	WIPRO	3i INFOTECH
2007-08	24.11	17.19	21.74
2008-09	20.74	13.53	34.66
2009-10	24.13	20.97	-18.85
2010-11	25.44	17.96	21.19
2011-12	26.15	14.39	62.66



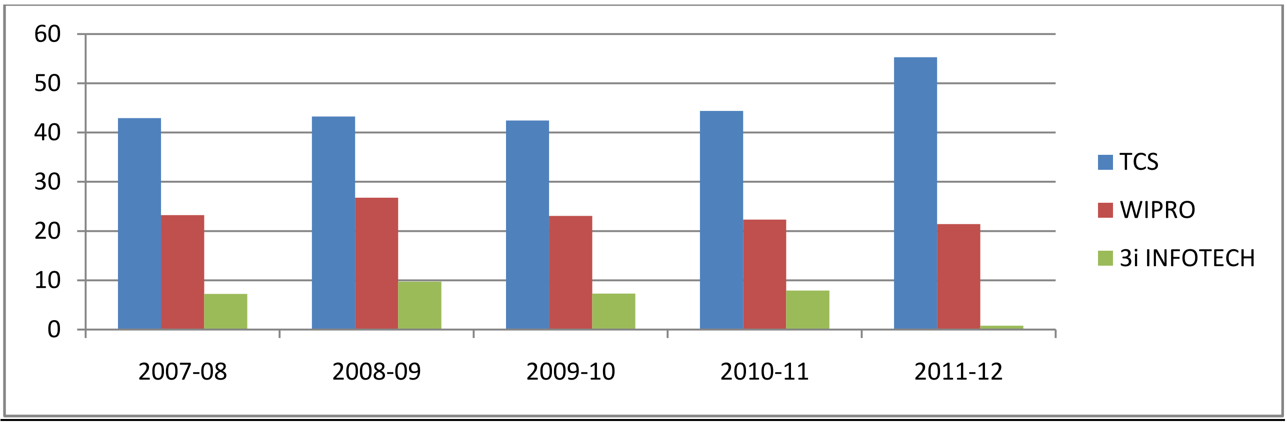
INTERPRETATION:-This ratio helps in determining the overall profitability of the business operations. An increase in this ratio over the previous year will indicate the improvement in the overall profitability of the business. TCS and WIPRO have good profitable position as its profits are increasing over the years but 3i INFOTECH has bad profitable position in the market.

4. RETURN ON CAPITAL EMPLOYED:-

The term capital employed refers to long term funds deployed in the enterprise. Long-term funds means total of shareholders funds and long-term loans.

RETURN ON CAPITAL EMPLOYED= $\frac{\text{Profit before interest ,tax and dividend}}{\text{Capital Employed}}$

YEAR	TCS	WIPRO	3i INFOTECH
2007-08	42.92	23.23	7.25
2008-09	43.27	26.77	9.73
2009-10	42.46	23.06	7.30
2010-11	44.38	22.34	7.91
2011-12	55.31	21.41	0.77



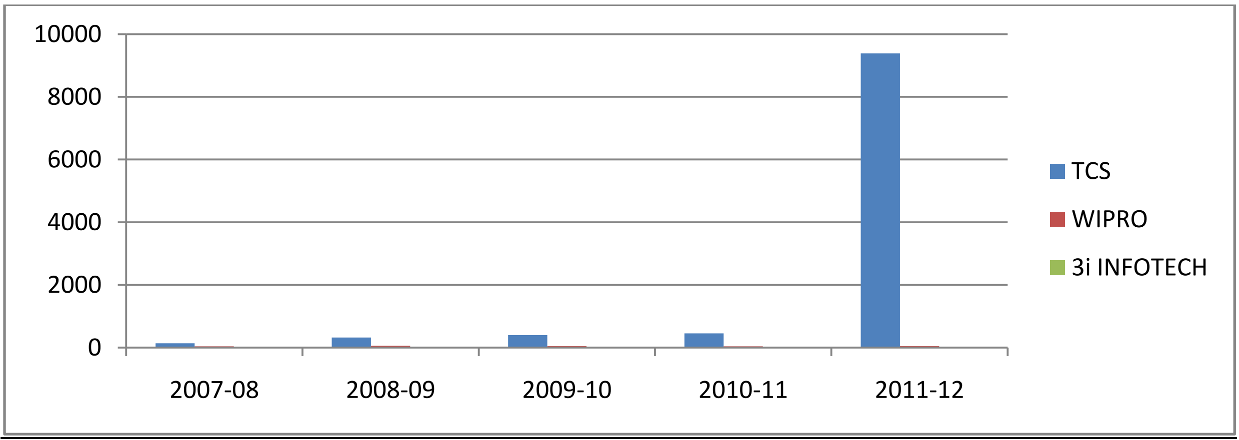
INTERPRETATION:-This ratio helps in determining the overall profitability of the business operations. An increase in this ratio over the previous year will indicate the improvement in the overall profitability of the business. TCS company has good roce as it is increasing year by year but 3i INFOTECH showing the decline trend year by year as its roce is decreasing. WIPRO shows better profitable position.

5. INVENTORY TURNOVER RATIO:-

This ratio indicates whether the stock has been efficiently used or not. It shows the speed with which the stock is rotated into sales or the number of times the stock is turned into sales during the year.

INVENTORY TURNOVER RATIO= Cost of goods sold / Average stock

YEAR	TCS	WIPRO	3i INFOTECH
2007-08	137.21	39.41	00
2008-09	321.72	56.15	00
2009-10	398.91	45.40	00
2010-11	451.73	43.12	00
2011-12	9386.16	48.33	00



INTERPRETATION: A low stock turnover ratio indicates that stock does not sell quickly and remains lying in godown for quite a long time. TCS has very high ratio which indicates that company stock is selling at fast rate. WIPRO also shows high ratio but less than TCS whereas 3i INFOTECH has zero ratio which indicates that company is unable to sell out its stock.

CORRELATION ANALYSIS

TCS

Correlations

		Stockprice	Debtequityratio	interestcoverageratio	netprofitmargin	Returnoncapitalemployed	Inventoryturnoverratio
Stockprice	Pearson Correlation	1	.[a]	-.874	.413	.402	.705
	Sig. (2-tailed)		.	.052	.490	.502	.183
	N	5	5	5	5	5	5
Debtequityratio	Pearson Correlation	.[a]	.[a]	.[a]	.[a]	.[a]	.[a]
	Sig. (2-tailed)	.		.	.	.	.
	N	5	5	5	5	5	5
Interestcoverageratio	Pearson Correlation	-.874	.[a]	1	-.121	-.038	-.371
	Sig. (2-tailed)	.052	.		.847	.951	.539
	N	5	5	5	5	5	5
Netprofitmargin	Pearson Correlation	.413	.[a]	-.121	1	.575	.577
	Sig. (2-tailed)	.490	.	.847		.311	.309
	N	5	5	5	5	5	5
Returnoncapitalemployed	Pearson Correlation	.402	.[a]	-.038	.575	1	.931*
	Sig. (2-tailed)	.502	.	.951	.311		.021
	N	5	5	5	5	5	5
Inventoryturnoverratio	Pearson Correlation	.705	.[a]	-.371	.577	.931*	1
	Sig. (2-tailed)	.183	.	.539	.309	.021	
	N	5	5	5	5	5	5

a. Cannot be computed because at least one of the variables is constant.
*. Correlation is significant at the 0.05 level (2-tailed).

Interpretation:- There is low degree of negative correlation between stock price and interest. No correlation between stock price and debt equity ratio which means that change in debt equity ratio leads to no change in stock price, moderate degree of positive correlation between stock price and return on capital employed, there is moderate degree of positive correlation between stock price and inventory turnover ratio and net profit margin which means that any increase in return on capital employed, inventory turnover ratio, net profit margin will leads to increase in stock price.

WIPRO

Correlations

		stockprice	debtequityratio	interestcoverageratio	Netprofitmargin	Returnoncapitalemployed	inventoryturnoverratio
Stockprice	Pearson Correlation	1	-.230	.409	.096	-.039	.550
	Sig. (2-tailed)		.710	.494	.878	.951	.337
	N	5	5	5	5	5	5
Debtequityratio	Pearson Correlation	-.230	1	-.944*	-.189	.912*	.445
	Sig. (2-tailed)	.710		.016	.760	.031	.453
	N	5	5	5	5	5	5
Interestcoverageratio	Pearson Correlation	.409	-.944*	1	.209	-.750	-.287
	Sig. (2-tailed)	.494	.016		.736	.144	.639
	N	5	5	5	5	5	5
Netprofitmargin	Pearson Correlation	.096	-.189	.209	1	-.369	-.629
	Sig. (2-tailed)	.878	.760	.736		.541	.256
	N	5	5	5	5	5	5
Returnoncapitalemployed	Pearson Correlation	-.039	.912*	-.750	-.369	1	.662
	Sig. (2-tailed)	.951	.031	.144	.541		.223
	N	5	5	5	5	5	5
Inventoryturnoverratio	Pearson Correlation	.550	.445	-.287	-.629	.662	1
	Sig. (2-tailed)	.337	.453	.639	.256	.223	
	N	5	5	5	5	5	5

*. Correlation is significant at the 0.05 level (2-tailed).

Interpretation:- There is low degree of negative correlation between stock price and debt equity ratio and return on capital employed that means if the debt will increase then the Stock price will decrease Moderate degree of positive correlation between stock price and interest which means an increase in interest will leads to increase in stock price , low degree of positive correlation between stock price and net profit margin and there is moderate degree of positive correlation between stock price and inventory turnover ratio .

3I INFOTECH

Correlations

		stockprice	debtequityratio	interestcoverageratio	netprofitmargin	Returnoncapitalemployed	Inventoryturnoverratio
Stockprice	Pearson Correlation	1	-.255	.740	-.340	.619	.[a]
	Sig. (2-tailed)		.679	.153	.575	.266	.
	N	5	5	5	5	5	5
Debtequityratio	Pearson Correlation	-.255	1	-.696	.804	-.850	.[a]
	Sig. (2-tailed)	.679		.192	.101	.068	.
	N	5	5	5	5	5	5
Interestcoverageratio	Pearson Correlation	.740	-.696	1	-.817	.777	.[a]
	Sig. (2-tailed)	.153	.192		.092	.122	.
	N	5	5	5	5	5	5
Netprofitmargin	Pearson Correlation	-.340	.804	-.817	1	-.567	.[a]
	Sig. (2-tailed)	.575	.101	.092		.319	.
	N	5	5	5	5	5	5
Returnoncapitalemployed	Pearson Correlation	.619	-.850	.777	-.567	1	.[a]
	Sig. (2-tailed)	.266	.068	.122	.319		.
	N	5	5	5	5	5	5
Inventoryturnoverratio	Pearson Correlation	.[a]	.[a]	.[a]	.[a]	.[a]	.[a]
	Sig. (2-tailed)	.	.	.	.	.	
	N	5	5	5	5	5	5

a. Cannot be computed because at least one of the variables is constant.

Interpretation:- There is moderate degree of negative correlation between stock price and net profit margin and debt equity ratio that means 3i INFOTECH is financially risky company. . Moderate degree of positive correlation between stock price and interest , moderate degree of positive correlation between stock price and return on capital employed and there is no correlation between stock price and inventory turnover ratio which means that any change in inventory turnover ratio leads to no change in stock price .

RESULT AND FINDINGS

From the study of three major IT companies findings says that Alternative hypothesis is accepted, which indicates that there is significant impact of debt –equity ratio & interest coverage ratio, return on capital employed ratio, net profit margin ratio & inventory turnover ratio on stock price as the significance values are less than the P-value i.e. 0.05.

Correlation results also depicts that among the three companies TCS has low degree of negative correlation between stock price and interest. Moderate degree of positive correlation between stock price and return on capital employed, inventory turnover, net profit margin.There is no correlation between stock price and debt-equity .WIPRO:-There is low degree of negative correlation between stock price and debt-equity, return on capital employed. There is low degree of positive correlation between stock price and net profit margin. There is a moderate degree of positivecorrelation between stock price and inventory and interest coverage.3i INFOTECH:- There is moderate degree of negative correlation between stock price and net profit margin, debt-equity. There is moderate degree of positive correlation between sock price and interest. There is a no correlation between stock price and inventory.

REFERENCES

1. Jayadev M, (Sep 2006), "Predictive power of financial risk factors: an empirical analysis of default companies" , *Vikalpa*, p. no. 55-65
2. Kauffman Robert J. and Sougstad Ryan , (Nov 2008), "Risk management of portfolio in IT services: the profit-at-risk approach", *Journal Of Management Information System,* p.no. 17-48
3. Branger Nicole, (Dec 2008), " Can tests based on option hedging errors correctly identify volatility risk premia? ", *Journal Of Finance And Quantitative Analysis,* p. no. 1055-1090.
4. Dhaliwal Dal, (March 2004), " The impact of operating leases on firm financial and operating risk" , *Journal Of Accounting, Auditing & Finance* , p .no. 137-145.
5. Chen Ying-Chieh, (Sept.2012), "Application of six sigma DMAIC methodology to reduce financial risk" *International Journal Of Finance*, p.no. 166-176.
6. Liang Bing.,(Feb. 2010), " Predicting hedge fund failure: a comparison of risk measures" *Journal Of Financial And Quantitative Analysis,* p.no. 199-222.
7. A. Doukas John, (AUG 2010), "Arbitrage risk and stock mispricing", *Journal of Financial And Quantitative Analysis*, p.g. no 907 – 934
8. Sages Ronald, (NOV 2010), "Financial numeracy, net worth, and financial management skills: client characteristics that differ based on financial risk tolerance", *Journal of Financial Services Professionals*, p.g 57-65.
9. McLean R. David, (AUG 2010), , "Idiosyncratic risk, long-term reversal, and momentum", *Journal of Financial And Quantitative Analysis*, p.g. no. 883 – 906