

**PROJECT REPORT ON**  
**“A STUDY ON THE USE OF STOCK OPTION FOR EARNINGS**  
**ANNOUNCEMENT IN INDIAN COMPANIES”**

**Submitted By**

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**Submitted To**

**VISVESVARAYA TECHNOLOGICAL UNIVERSITY, BELAGAVI**



**In partial fulfilment of the requirements for the award of the degree of**

**MASTER OF BUSINESS ADMINISTRATION**

**Under the guidance of**

**DR. VISHNU PRASANNA K.N**

**Professor**

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**PG DEPARTMENT OF BUSINESS ADMINISTRATION**

**Alva's Institute of Engineering & Technology Shobhavana Campus,**  
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# ALVA'S INSTITUTE OF ENGINEERING & TECHNOLOGY

(A Unit of Alva's Education Foundation @ Moodbidri)

Affiliated to Visvesvaraya Technological University, Belagavi

Approved by AICTE, New Delhi & Recognised by Government of Karnataka

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Date: 09/09/2024

## CERTIFICATE

This is to certify that **Bhoomika** bearing USN **4AL22BA012**, is a bona-fide student of Master of Business Administration course of Alva's Institute of Engineering and Technology, Moodbidri for the batch 2022-2024, affiliated to Visvesvaraya Technological University, Belagavi. The Project report on "**A Study on the Use of Stock Option for Earnings Announcement in Indian Companies**" is prepared by her under the guidance of **Dr. Vishnu Prasanna KN.**, Professor, in partial fulfilment of the requirements for the award of the degree of Master of Business Administration of Visvesvaraya Technological University, Belagavi Karnataka.

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## DECLARATION

I, **Ms. Bhoomika (USN: 4AL22BA012)** hereby declare that the project report entitled “**A study on the use of Stock Option for Earnings Announcement in Indian companies**” is prepared by me under the guidelines of Dr. Vishnu Prasanna K.N., Professor of Finance, PG Department of Business Administration, Alva's Institute of Engineering and Technology, Mijar, Moodbidri.

I also declare that this project work is towards the partial fulfilment of the university regulations for degree of MASTER OF BUSINESS ADMINISTRATION by Visvesvaraya Technological University, Belagavi.

I have undergone a project for a period of 6 weeks. I further declare that this project is based on the original study undertaken by me and has not been submitted for the award of any degree/diploma from any other University/Institution

Date: 19-09-2024

Place: Mijar, Moodbidri



signature of the student

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With regards,

Bhoomika

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## **EXECUTIVE SUMMARY**

This study investigates the role of stock options in managing earnings risk among Indian companies, comparing their effectiveness with other financial strategies such as stock futures. The primary objective is to assess whether the use of stock options around earnings announcements can help mitigate volatility and provide a stable financial outlook for companies. By employing a mix of descriptive, correlation, and regression analyses, the study offers comprehensive insights into the dynamics of earnings management in the context of the Indian market.

The analysis revealed a significant decrease in volatility of stock options post-earnings announcements. This suggests that earnings announcements help reduce market uncertainty, stabilizing stock prices. The average volatility, standard deviation, and extreme values of volatility all showed a marked reduction after the announcements, indicating a more predictable and less volatile market environment.

The correlation analysis demonstrated a moderate positive relationship between earnings and the use of stock options and stock futures. This implies that as earnings fluctuate, companies tend to utilize these financial instruments to manage associated risks. However, a negative correlation between stock options and stock futures suggests that these instruments might be used in complementary ways to balance risk.

Regression results highlighted the significant role of stock options in earnings risk management. Companies using stock options showed a discernible impact on their earnings outcomes, underscoring the effectiveness of these instruments in mitigating risk compared to other strategies like stock futures, which showed less significant impact.

The findings indicate that stock options are a valuable tool for managing earnings risk in the Indian market. They help reduce volatility and provide a more stable financial environment post-earnings announcements. Companies should consider incorporating stock options into their risk management strategies, while also diversifying with other financial instruments like stock futures to optimize their risk mitigation efforts. Regular evaluation and adaptation of these strategies to changing market conditions are crucial for maintaining financial stability and achieving long-term organizational goals.