

A Case Study on the US Dollar Influence on Top 4 Indian IT Stocks and IT Index

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Abstract: The software companies will be profitable when there is an increase in value of the dollar. The investors should think before investing in the software stocks and should believe that there will not be always profit when investing in software stocks. The companies should take care of the investors so that they will not lose hope in company stocks. The companies should improve their market so that more investors will invest and the value of the share can be increased.

Keywords: ITES industry, Multinational IT giants, ERP solutions, Software Stocks

INTRODUCTION:

Today India is home to some of the finest software companies in the world. The software companies in India are reputed across the globe for their efficient IT and business related solutions. Software industry in India with the huge success of the software companies in India, the Indian software industry in turn has become successful in making a mark in the global arena. This industry has been instrumental in driving the economy of the nation on to a rapid growth curve. As per the study of NASSCOM the IT/ITES industry recorded a growth of 4 - 7 percent in the year 2010.

The export of software has also gone up, which has been instrumental in the huge success of the Indian software companies as well as the industry. In fact, software export from India accounts for more than 65% of the total software revenue. The domestic software market largely depends upon sale of software packages and products, which constitute major part of revenues. Products account for almost 40% of the domestic market. On the other hand, more than 80% of revenue from software exports comes from software services like custom software development and consultancy services.

Reasons behind Success of Indian software companies.

There are a number of reasons why the software companies in India have been so successful. Besides the Indian software companies, a number of multinational giants have also plunged into the India IT market.

India is the hub of cheap and skilled software professionals, which are available in abundance. It helps the software companies to develop costeffective business solutions for their clients. As a result, Indian software companies can place their products and services in the global market in the most competitive rate. This is the reason why India has been a favorite destination for outsourcing as well. Many multinational IT giants also have their offshore development centers in India.

Interesting Facts about the Software Industry in India

- India won recognition for its software writing skills in the late 1990s.
- Cheaper salaries which are almost equal to one fifth of the salaries paid to US and European IT counterparts have helped outsourcing companies like Infosys, Tata Consultancy Services and Wipro.
- The software industry in India was hit hard by the controversial fraud at Satyam Computers.
- IBM employs about 70,000 workers in India.

• The IT industry accounts for 5 percent of India's GDP.

Services offered by software companies in India

- Custom Business solutions
- Collaborative Content Management
- Internet Marketing
- Web Branding Services
- Database Migration services
- Customization Services
- Application Development
- Outsourcing
- ERP solutions
- I phone Apps development
- Collaborative Commerce
- Programming Services
- Quality assurance and testing services
- Multimedia offering
- Consulting

IT Business Sectors

Most of the software companies in India are into varied types of business. There can be several types of business in the IT sectors:

- Infrastructure Software: These include OS, middleware and databases.
- Enterprise Software: These automate business process in diverse verticals like finance, sales and marketing, production and logistics.
- Security Software
- Industry-specific Software
- Contract Programming

Top 10 Software Companies in India

There are plenty of software companies in India which have been doing well. However, some of the top Indian software companies can be listed as:

- 1. Tata Consultancy Services
- 2. Wipro Limited
- 3. Infosys Limited
- 4. HCL Technologies Limited
- 5. Satyam Computers services Limited
- 6. Tech Mahindra Limited
- 7. MphasiS Limited
- 8. Patni Computer Systems

- 9. Oracle Financial Services Software Limited
- 10. 3i Infotech Limited

OBJECTIVES

- To find out the US dollarinfluence on software stocks.
- To predict the IT index value for the next year.
- To suggest investors to know when to invest in software stocks

LIMITATIONS

- The very nature of the organization is limitations of collection of data.
- The analysis is based on top four companies which are listed in NSE.
- The time was very less so we took only some parameters for the analysis.

RESEARCH METHODOLOGY

Descriptive Research

The type of research applied for conductive the research is descriptive. Because the research describes the existing relationship between the US \$ and top 4 Software companies listed in India.

Secondary Data

The research is conducted based on the secondary data available online about the software stocks and US \$ value.

Statistical tool

The tools applied are correlation and regression to find out the relationship between US \$ and Software stocks.

DATA ANALYSIS AND INTERPRETATION

ANALYSIS OF DOLLAR VALUE AND WIPRO COMPANY STOCK:

DOLLAR VALUES:

	DOLLAR
MONTH	VALUES
Jul-14	60.0828
Jun-14	59.5873
May-14	59.2843
Apr-14	60.3464

Mar-14	60.9476
Feb-14	62.1642
Jan-14	62.1057
Dec-13	61.811
Nov-13	62.5179
Oct-13	61.6059
Sep-13	63.648
Aug-13	62.8109
Jul-13	59.7609
Jun-13	58.3835
May-13	54.9845
Apr-13	54.3236
Mar-13	54.4229
Feb-13	53.8079
Jan-13	54.229
Dec-12	54.647
Nov-12	54.7845
Oct-12	53.0995
Sep-12	54.35
Aug-12	55.4935



WIPRO COMPANY STOCKS:



DATE	CLOSING VALUE
Jul-14	544.4
Jun-14	546.4
May-14	506.2
Apr-14	522.35
Mar-14	543.2
Feb-14	597.25
Jan-14	575.05
Dec-13	559.2
Nov-13	470.8
Oct-13	477.7
Sep-13	473.05
Aug-13	483.6
Jul-13	438
Jun-13	349
May-13	327.65
Apr-13	348.35
Mar-13	437.15
Feb-13	416.4
Jan-13	411.55
Dec-12	394.5
Nov-12	393.25
Oct-12	350.65
Sep-12	381.05
Aug-12	362.6

CORRELATION OF DOLLAR VALUE AND WIPRO COMPANY STOCKS:

DATE	CLOSE	DOLLAR
		VALUES
Jul-14	544.4	60.0828
Jun-14	546.4	59.5873
May-14	506.2	59.2843
Apr-14	522.35	60.3464
Mar-14	543.2	60.3464
Feb-14	597.25	62.1642
Jan-14	575.05	62.1057
Dec-13	559.2	61.811
Nov-13	470.8	62.5179
Oct-13	477.7	61.6059
Sep-13	473.05	63.648
Aug-13	483.6	62.8109
Jul-13	438	59.7609
Jun-13	349	58.3835
May-13	327.65	54.9845

Apr-13	348.35	54.3236
Mar-13	437.15	54.4229
Feb-13	416.4	53.8079
Jan-13	411.55	54.229
Dec-12	394.5	54.647
Nov-12	393.25	54.7845
Oct-12	350.65	53.0995
Sep-12	381.05	54.35
Aug-12	362.6	55.4935

CORRELATION COEFFICIENT(R):

R=0.770154001

INTERPRETATION:

Since r is positive there exists a strong positive relationship between US dollar and Wipro company stocks which shows that if the dollar value increases stock prices increases and vice versa.



HYPOTHESIS:

 H_0 -There is no relationship between Wipro and US\$.

 H_{a1} -There is a positive relationship between Wipro and US\$.

 H_{a2} –There is a negative relationship between Wipro and US\$.

INTERPRETATION:

Based on the correlation coefficient we will accept H_{a1} and reject $H_{a2.}$

ANALYSIS OF DOLLAR VALUE AND INFOSYS COMPANY STOCKS:

DOLLAR VALUES:

MONTH	DOLLAR
	VALUES
Jul-14	60.0828
Jun-14	59.5873
May-14	59.2843
Apr-14	60.3464
Mar-14	60.9476
Feb-14	62.1642
Jan-14	62.1057
Dec-13	61.811
Nov-13	62.5179
Oct-13	61.6059
Sep-13	63.648
Aug-13	62.8109
Jul-13	59.7609
Jun-13	58.3835
May-13	54.9845
Apr-13	54.3236
Mar-13	54.4229
Feb-13	53.8079
Jan-13	54.229
Dec-12	54.647
Nov-12	54.7845
Oct-12	53.0995
Sep-12	54.35
Aug-12	55.4935



INFOSYS COMPANY STOCKS:

DATE	CLOSING VALUE
Jul-14	3367.65

Jun-14	3255.55
May-14	2939.4
Apr-14	3180.8
Mar-14	3282.8
Feb-14	3824.85
Jan-14	3701.1
Dec-13	3485.65
Nov-13	3354.55
Oct-13	3309.9
Sep-13	3013
Aug-13	3105.85
Jul-13	2969.65
Jun-13	2498.85
May-13	2411.7
Apr-13	2235.45
Mar-13	2889.35
Feb-13	2907
Jan-13	2789.5
Dec-12	2318.7
Nov-12	2436.85
Oct-12	2363
Sep-12	2534.95
Aug-12	2361.65



CORRELATION OF DOLLAR VALUE AND INFOSYS STOCKS:

Date	Close	DOLLAR VALUES
Jul-14	3367.65	60.0828
Jun-14	3255.55	59.5873
May-14	2939.4	59.2843
Apr-14	3180.8	60.3464
Mar-14	3282.8	60.3464
Feb-14	3824.85	62.1642
Jan-14	3701.1	62.1057
Dec-13	3485.65	61.811

Nov-13	3354.55	62.5179
Oct-13	3309.9	61.6059
Sep-13	3013	63.648
Aug-13	3105.85	62.8109
Jul-13	2969.65	59.7609
Jun-13	2498.85	58.3835
May-13	2411.7	54.9845
Apr-13	2235.45	54.3236
Mar-13	2889.35	54.4229
Feb-13	2907	53.8079
Jan-13	2789.5	54.229
Dec-12	2318.7	54.647
Nov-12	2436.85	54.7845
Oct-12	2363	53.0995
Sep-12	2534.95	54.35
Aug-12	2361.65	55.4935

CORRELATION COEFFICIENT(R):

R=0.8056447

INTERPRETATION:

Since r is positive there exists a strong positive relationship between US dollar and Infosys stocks which shows that if the dollar value increases then stock price values also increases and vice versa.



HYPOTHESIS:

 $\mathbf{H}_0\text{--}\text{There}$ is no relationship between Infosys and US\$.

 H_{a1} -There is a positive relationship between Infosys and US\$.

 H_{a2} –There is a negative relationship between Infosys and US\$.

INTERPRETATION:

Based on the correlation coefficient we will accept H_{a1} and reject H_{a2} .

ANALYSIS OF DOLLAR VALUE AND HCL COMPANY STOCKS:

DOLLAR VALUES:

MONTH	DOLLAR
	VALUES
Jul-14	60.0828
Jun-14	59.5873
May-14	59.2843
Apr-14	60.3464
Mar-14	60.9476
Feb-14	62.1642
Jan-14	62.1057
Dec-13	61.811
Nov-13	62.5179
Oct-13	61.6059
Sep-13	63.648
Aug-13	62.8109
Jul-13	59.7609
Jun-13	58.3835
May-13	54.9845
Apr-13	54.3236
Mar-13	54.4229
Feb-13	53.8079
Jan-13	54.229
Dec-12	54.647
Nov-12	54.7845
Oct-12	53.0995
Sep-12	54.35
Aug-12	55.4935



HCL COMPANY STOCKS:

DATE	CLOSING
DAIE	VALUE
Jul-14	1555.1
Jun-14	1500.15
May-14	1418.55
Apr-14	1402.9
Mar-14	1390.7
Feb-14	1575.55
Jan-14	1462.2
Dec-13	1262.55
Nov-13	1086
Oct-13	1095.35
Sep-13	1087.2
Aug-13	1040.45
Jul-13	937.55
Jun-13	776
May-13	744.85
Apr-13	721.4
Mar-13	795
Feb-13	723.4
Jan-13	688
Dec-12	618.7
Nov-12	656.5
Oct-12	608
Sep-12	577.45
Aug-12	544.4



CORRELATION OF DOLLAR VALUE AND HCL COMPANY STOCKS:

Date	Close	DOLLAR VALUES
Jul-14	1555.1	60.0828
Jun-14	1500.15	59.5873
May-14	1418.55	59.2843
Apr-14	1402.9	60.3464
Mar-14	1390.7	60.3464
Feb-14	1575.55	62.1642
Jan-14	1462.2	62.1057
Dec-13	1262.55	61.811
Nov-13	1086	62.5179
Oct-13	1095.35	61.6059
Sep-13	1087.2	63.648
Aug-13	1040.45	62.8109
Jul-13	937.55	59.7609
Jun-13	776	58.3835
May-13	744.85	54.9845
Apr-13	721.4	54.3236
Mar-13	795	54.4229
Feb-13	723.4	53.8079
Jan-13	688	54.229
Dec-12	618.7	54.647
Nov-12	656.5	54.7845
Oct-12	608	53.0995
Sep-12	577.45	54.35
Aug-12	544.4	55.4935

CORRELATION COEFFICIENT(R):

R=0.780064

INTERPRETATION:

Since r is positive there exists a strong positive relationship between US dollar and HCL company stocks which shows that if the dollar value increases stock prices increases and vice versa.



HYPOTHESIS:

 H_0 -There is no relationship between HCL and US\$.

 H_{a1} -There is a positive relationship between HCL and US\$.

 H_{a2} –There is a negative relationship between HCL and US\$.

INTERPRETATION:

Based on the correlation coefficient value which is positive we say that we will accept H_{a1} and reject H_{a2} .

ANALYSIS OF DOLLAR VALUE AND TCS COMPANY STOCKS:

DOLLAR VALUES:

MONTH	DOLLAR
	VALUES
Jul-14	60.0828
Jun-14	59.5873
May-14	59.2843
Apr-14	60.3464
Mar-14	60.9476
Feb-14	62.1642
Jan-14	62.1057
Dec-13	61.811
Nov-13	62.5179
Oct-13	61.6059
Sep-13	63.648
Aug-13	62.8109
Jul-13	59.7609
Jun-13	58.3835
May-13	54.9845
Apr-13	54.3236
Mar-13	54.4229
Feb-13	53.8079
Jan-13	54.229
Dec-12	54.647
Nov-12	54.7845
Oct-12	53.0995
Sep-12	54.35
Aug-12	55.4935



TCS COMPANY STOCKS:

DATE	CLOSING		
DATE	VALUE		
Jul-14	2580.05		
Jun-14	2425.4		
May-14	2141.35		
Apr-14	2189.2		
Mar-14	2133.15		
Feb-14	2275.75		
Jan-14	2241.05		
Dec-13	2172.05		
Nov-13	2004.35		
Oct-13	2112.05		
Sep-13	1927.8		
Aug-13	2033.2		
Jul-13	1815.5		
Jun-13	1518.15		
May-13	1498.45		
Apr-13	1378.4		
Mar-13	1575.75		
Feb-13	1517		
Jan-13	1344.15		
Dec-12	1255.85		
Nov-12	1314		
Oct-12	1315.5		
Sep-12	1295.9		
Aug-12	1343.75		



CORRELATION OF DOLLAR VALUE AND TCS COMPANY STOCKS:

DATE	CLOSE	DOLLAR VALUES
Jul-14	2580.05	60.0828
Jun-14	2425.4	59.5873
May-14	2141.35	59.2843
Apr-14	2189.2	60.3464
Mar-14	2133.15	60.3464
Feb-14	2275.75	62.1642
Jan-14	2241.05	62.1057
Dec-13	2172.05	61.811
Nov-13	2004.35	62.5179
Oct-13	2112.05	61.6059
Sep-13	1927.8	63.648
Aug-13	2033.2	62.8109
Jul-13	1815.5	59.7609
Jun-13	1518.15	58.3835
May-13	1498.45	54.9845
Apr-13	1378.4	54.3236
Mar-13	1575.75	54.4229
Feb-13	1517	53.8079
Jan-13	1344.15	54.229
Dec-12	1255.85	54.647
Nov-12	1314	54.7845
Oct-12	1315.5	53.0995
Sep-12	1295.9	54.35
Aug-12	1343.75	55.4935

CORRELATION COEFFICIENT(R):

R=0.833328

INTERPRETATION:

Since r is positive there exists a strong relationship between US dollar and TCS company stocks which shows that if the dollar value increases stock prices increases and vice versa.



HYPOTHESIS:

 H_0 -There is no relationship between TCS and US\$.

 \mathbf{H}_{al} -There is a positive relationship between TCS and US\$.

 H_{a2} –There is a negative relationship between TCS and US\$.

INTERPRETATION:

Based on the correlation coefficient value which is positive we say that we will accept H_{a1} and reject H_{a2} .

ANALYSIS OF DOLLAR VALUE AND CNX IT INDEX:

DOLLAR VALUES:

MONTH	DOLLAR
	VALUES
Aug-12	55.4935
Sep-12	54.35
Oct-12	53.0995
Nov-12	54.7845
Dec-12	54.647
Jan-13	54.229
Feb-13	53.8079
Mar-13	54.4229
Apr-13	54.3236
May-13	54.9845
Jun-13	58.3835
Jul-13	59.7609
Aug-13	62.8109
Sep-13	63.648
Oct-13	61.6059
Nov-13	62.5179

Dec-13	61.811
Jan-14	62.1057
Feb-14	62.1642
Mar-14	60.9476
Apr-14	60.3464
May-14	59.2843
Jun-14	59.5873
Jul-14	60.0828



CNX IT INDEX :

Date	Close
Aug-12	6072.35
Sep-12	6313.8
Oct-12	6087.85
Nov-12	6263.25
Dec-12	6024.95
Jan-13	6778
Feb-13	7106.65
Mar-13	7219.05
Apr-13	6047.7
May-13	6472.05
Jun-13	6634.15
Jul-13	7787.35
Aug-13	8382.4
Sep-13	8167.8
Oct-13	8852.8
Nov-13	8820.75
Dec-13	9517.85
Jan-14	9957.45
Feb-14	10338.55
Mar-14	9298
Apr-14	9227.95
May-14	8970.3
Jun-14	9912.3
Jul-14	10304.7



CORRELATION OF DOLLAR VALUE AND CNX IT INDEX:

Date	Close	DOLLAR VALUES
Jul-14	10304.7	60.0828
Jun-14	9912.3	59.5873
May-14	8970.3	59.2843
Apr-14	9227.95	60.3464
Mar-14	9298	60.3464
Feb-14	10338.55	62.1642
Jan-14	9957.45	62.1057
Dec-13	9517.85	61.811
Nov-13	8820.75	62.5179
Oct-13	8852.8	61.6059
Sep-13	8167.8	63.648
Aug-13	8382.4	62.8109
Jul-13	7787.35	59.7609
Jun-13	6634.15	58.3835
May-13	6472.05	54.9845
Apr-13	6047.7	54.3236
Mar-13	7219.05	54.4229
Feb-13	7106.65	53.8079
Jan-13	6778	54.229
Dec-12	6024.95	54.647
Nov-12	6263.25	54.7845
Oct-12	6087.85	53.0995
Sep-12	6313.8	54.35
Aug-12	6072.35	55.4935

CORRELATION COEFFICIENT(R):

R=0.821204

INTERPRETATION:

Since r is positive there exists a strong positive relationship between US dollar and CNX IT INDEX which shows that if the dollar value increases index value increases and vice versa.



HYPOTHESIS:

 H_0 -There is no relationship between CNX IT INDEX and US\$.

 H_{a1} -There is a positive relationship between CNX IT INDEX and US\$.

 H_{a2} –There is a negative relationship between CNX IT INDEX and US\$.

INTERPRETATION:

Based on the correlation coefficient value which is positive we say that we will accept H_{a1} and reject H_{a2} .

FORECASTING OF CNX IT INDEX BASED ON DOLLAR VALUE:

Date	CNX IT	DOLLAR
Aug-12	6072.35	55.4935
Sep-12	6313.8	54.35
Oct-12	6087.85	53.0995
Nov-12	6263.25	54.7845
Dec-12	6024.95	54.647
Jan-13	6778	54.229
Feb-13	7106.65	53.8079
Mar-13	7219.05	54.4229
Apr-13	6047.7	54.3236
May-13	6472.05	54.9845
Jun-13	6634.15	58.3835
Jul-13	7787.35	59.7609
Aug-13	8382.4	62.8109
Sep-13	8167.8	63.648

	9266.30	62
	8197.31	59
Jul-14	10304.7	60.0828
Jun-14	9912.3	59.5873
May-14	8970.3	59.2843
Apr-14	9227.95	60.3464
Mar-14	9298	60.3464
Feb-14	10338.55	62.1642
Jan-14	9957.45	62.1057
Dec-13	9517.85	61.811
Nov-13	8820.75	62.5179
Oct-13	8852.8	61.6059

FORECAST=(X (DOLLAR VALUE), KNOWN Y VALUES, KNOWN X VALUES)

In the above table we found out that when we are taking dollar value as 59 then CNX IT INDEX value is decreased and when it is increased that is 62 then CNX IT INDEX value is increased. By this we can say that they are directly proportional to each other.

FINDINGS

COMPARING THE MOVEMENT OF DOLLAR WITH COMPANY'S STOCKS:

WIPRO:

CORRELATION COEFFICIENT(R):

R=0.770154001

Since r is positive there exists a strong positive relationship between US dollar and Wipro company stocks which shows that if the dollar value increases stock prices increases and vice versa.

HYPOTHESIS:

 H_0 -There is no relationship between Wipro and US\$.

 H_{a1} -There is a positive relationship between Wipro and US\$.

 H_{a2} –There is a negative relationship between Wipro and US\$.

Based on the correlation coefficient value which is positive we say that we will accept H_{a1} and reject H_{a2} .

INFOSYS:

CORRELATION COEFFICIENT(R):

R=0.8056447

Since r is positive there exists a strong positive relationship between US dollar and Infosys stocks which shows that if the dollar value increases then stock price values also increases and vice versa.

HYPOTHESIS:

 H_0 -There is no relationship between Infosys and US\$.

 H_{a1} -There is a positive relationship between Infosys and US\$.

 H_{a2} –There is a negative relationship between Infosys and US\$.

Based on the correlation coefficient value which is positive we say that we will accept H_{a1} and reject H_{a2} .

HCL:

CORRELATION COEFFICIENT(R):

R=0.780064

Since r is positive there exists a strong positive relationship between US dollar and HCL company stocks which shows that if the dollar value increases stock prices increases and vice versa.

HYPOTHESIS:

 H_0 -There is no relationship between HCL and US\$.

 H_{a1} -There is a positive relationship between HCL and US\$.

 H_{a2} –There is a negative relationship between HCL and US\$.

Based on the correlation coefficient value which is positive we say that we will accept H_{a1} and reject H_{a2} .

TCS:

CORRELATION COEFFICIENT(R):

R=0.833328

Since r is positive there exists a strong relationship between US dollar and TCS company stocks which shows that if the dollar value increases stock prices increases and vice versa.

HYPOTHESIS:

 H_0 -There is no relationship between TCS and US\$.

 H_{a1} -There is a positive relationship between TCS and US\$.

 H_{a2} –There is a negative relationship between TCS and US\$.

Based on the correlation coefficient value which is positive we say that we will accept H_{a1} and reject H_{a2} .

CNX IT INDEXES:

CORRELATION COEFFICIENT(R):

R=0.821204

Since r is positive there exists a strong positive relationship between US dollar and CNX IT INDEX which shows that if the dollar value increases index value increases and vice versa.

HYPOTHESIS:

 H_0 -There is no relationship between CNX IT INDEX and US\$.

 H_{a1} -There is a positive relationship between CNX IT INDEX and US\$.

 H_{a2} –There is a negative relationship between CNX IT INDEX and US\$.

Based on the correlation coefficient value which is positive we say that we will accept H_{a1} and reject H_{a2} .

SUGGESTIONS

Suggestions to Investors investing in software stocks:

• In the entire project it is observed that the software stocks are closely related to the US\$.

- It is observed that movement of US\$ and all the software stocks are same which means that when the US\$ gains value the stocks also gain value. This trend is applicable to the CNX IT index also.
- The revenue of software companies are generated in US\$(major portion) when the US\$ dollar gains the accounts book of software stock will show increased profit.
- In case if US\$ gains by Rs.2 in 3months the Rs.2 will be shown in accounts book of software companies.
- The stock value grows up because of investors showing interest in investing in the profitable software companies.
- Software companies are known as good dividend payers to investors, in order to get this dividend investors are interested in investing in the software stocks.
- Investors should invest in software stocks after observing the movement of US\$ closely
- If the US\$ gains value, investors can invest in these software stocks.
- If US\$ declines in value investors are advised to stay away from investing in software stocks.
- If investors are interested in investing in the futures of IT index, they should also observe the movement of US\$ before trading in the CNX IT index.
- Investors should prefer buying IT stocks and index when the dollar gains and sell when US\$ declines.
- The suggestion given above is applicable to trader who trade in futures and options.
- The suggestions are applicable even to investors who invest in equity of software companies.

CONCLUSION

It is observed that the software companies will be profitable when there is an increase in value of the dollar. The investors should think before investing in the software stocks and should believe that there will not be always profit when investing in software stocks. The companies should take care of the investors so that they will not lose hope in company stocks. The companies should improve their market so that more investors will invest and the value of the share can be increased.

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