

# MARKET CAPITALIZATION IN TOP INDIAN COMPANIES – AN EXPLORATORY STUDY OF THE FACTORS THAT INFLUENCE THIS

DR. N R PARASURAMAN<sup>1</sup> AND MR.J. BALAJI<sup>2</sup>

## ABSTRACT

For a variety of reasons, market capitalization is considered as an ideal indicator of value creation. However, since market capitalization itself is based on a fragile factor called stock prices, the reliability of this as a criterion for value creation is questionable. In this analysis, we look at companies that are maximum market capitalized during 2006 through 2009. The high market capitalization is evidenced by the fact that these are the constituent companies in the NIFTY and JUNIOR NIFTY futures contracts. We go on to regress the market capitalization against key variables to see the level of dependence. The analysis shows that market capitalization is heavily dependent on profitability and not so much by other factors like asset growth and debt structure. While this is an intuitive conclusion, we can gather more inferences from the analysis when we examine the level of significance of the regression as a whole and those of the independent variables separately.

**KEY WORDS:** Stepwise regression – Backward Elimination, market capitalization, leverage.

---

<sup>1</sup> Professor (Finance), SDM Institute of Management Development, Mysore ([nrparasuraman@sdmimd.ac.in](mailto:nrparasuraman@sdmimd.ac.in)) and  
<sup>2</sup> Assistant Professor, SDM Institute of Management Development, Mysore ([balaji@sdmimd.ac.in](mailto:balaji@sdmimd.ac.in))