

A STUDY ON FUNDAMENTAL ANALYSIS OF AUTOMOBILE COMPANY WITH REFERENCE TO MALLES AUTOMATED AND ROBOTIC SYSTEM PRIVATE LIMITED

Submitted in partial fulfillment of the requirements for the award of

Master of Business Administration

by

KALPANA DEVI N

Register No. 39410086



SCHOOL OF BUSINESS ADMINISTRATION

SATHYABAMA

INSTITUTE OF SCIENCE AND TECHNOLOGY

(DEEMED TO BE UNIVERSITY)

Accredited with Grade "A" by NAAC | 12B Status by UGC | Approved by AICTE

JEPPIAAR NAGAR, RAJIV GANDHI SALAI, CHENNAI - 600 119

APRIL - 2021



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BONAFIDE CERTIFICATE

This is to certify that this Project Report is the bonafide work of **MS. KALPANA DEVI N (39410086)** who has done the project work entitled “**A Study on Fundamental analysis of automobile company with reference to Malles automated and robotic system pvt ltd**” under my supervision from December 2020 to March 2021.

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Dean – School of Business Administration

Submitted for Viva voce Examination held on _____

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07.04.2021

TO WHOMSOEVER IT MAY CONCERN

This is to certify that **Ms. Kalpana Devi N (Reg.39410086)** student of MBA II-Year HR & Finance in Sathybhama institute of science and technology, Chennai has Successfully completed short time Internship programme at our Finance Department from 18.01.2021 to 20.01.2021

Subject: **"A Study On Fundamental Analysis Of Automobile Company"**

During the Period of her Internship Programme we found her to be Punctual, Hardworking, Adaptable and Team oriented.

A circular blue ink stamp of Malles Automated and Robotic Systems is positioned over a handwritten signature in blue ink. The signature is written in a cursive style. Below the signature, the name "Sivakumar V" and the title "Project Manager" are printed in black text.

Sivakumar V
Project Manager

DECLARATION

I, **KALPANA DEVI N (39410086)** hereby declare that the Project Report entitled “**A Study on Fundamental analysis of automobile company with reference to Malles automated and robotic systems pvt ltd in Chennai**” done by me under the guidance of **Dr. VELUMONI D**, MBA., M.Phil., Ph.D. is submitted in partial fulfillment of the requirements for the award of Master of Business Administration degree.

DATE :

PLACE :

KALPANA DEVI N

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I am pleased to acknowledge my sincere thanks to Board of Management of **SATHYABAMA** for their kind encouragement in doing this project and for completing it successfully. I am grateful to them.

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I wish to express my thanks to all Teaching and Non-teaching staff members of the Department of Business Administration who were helpful in many ways for the completion of the project.

KALPANA DEVI.N

ABSTRACT

The aim of the thesis is to perform the fundamental analysis of automobile industry with reference to the selected companies. Fundamental analysis is an approach to arrive at the „correct price“ of the security. Its objective is to identify the under priced and overpriced securities in the market place so that the investment decision-buying and selling of securities can be made. The automobile industry is one of the core industries in India and is optimistic of posting good sales in the coming years. So, the investment in the shares and securities of automobile companies seems to be profitable. As a part of the analysis, Automobile industry is turned out to be one of the essential business of the Economy. The study is done using secondary data collected from Employee who works in Malles Automated and Robotic Systems pvt ltd for the period of last five years from year 2015 to 2019. The first part of the thesis is focused on introduction of necessary theoretical framework, the second part continues with analysis of automobile industry and finally in last part valuation is performed and an investment recommendation is formulated.

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CHAPTER-1

1.1 INTRODUCTION

Fundamental analysis studies the core underlying elements that influence the economy of a particular entity, like a stock or currency. Fundamental analysis analyses the economic indicators and financial statements while technical analysis makes use of the historic market data. It attempts to predict price action and trends by analyzing economic indicators, government policy, societal and other factors within a business cycle framework. The fundamental analyst would love to purchase the stock if the current market price is below its intrinsic value and would sell the stock when the market price goes far above the intrinsic value. Hence, fundamental analysis is important in stock picking.

Fundamental analysis assesses the fair market value of equity shares by examining the assets, earnings prospects, cash flow projections, and dividend potential. Fundamental analysis differs from technical analysis that essentially relies on price and volume trends and other market indicators to identify trading opportunities.

Fundamental analysis of a business involves analyzing its financial statements and health, its management and competitive advantages, and its competitors and markets. Fundamental analysis is performed on historical and present data, but with the goal of making financial forecasts. Fundamental analysis helps in analyzing strategy, management, product, financial position and many other readily and not-so-readily quantifiable numbers which will help to choose stocks that will outperform in the market.

India is world's sixth largest vehicles manufacturer globally. Further, India is the second largest two wheeler manufacturers in Asia and fifth largest producer of commercial vehicles, fourth largest manufacturer of passenger car and the largest manufacturer of tractors.

Fundamental analysis is an approach to arrive at the correct price of the security. Its objective is to identify the underpriced and overpriced securities in the market place so that the investment decision-buying and selling of securities can be made. A security is said to be underpriced if its current market price is less than the correct price known as intrinsic value'

or true value'. Conversely, it is overpriced if the current market price is above its intrinsic value.

Fundamental analysis is the study of a company's financial strength, based on historical data. It is a stock valuation method that uses financial and economic analysis to predict the movement of stock prices. The analysis attempts to find out the intrinsic value of a security that helps investors to make decisions. The fundamental information that is analysed can include a company's financial report and non-financial information such as estimates of the growth of demand for the product sold by the company, industry comparisons, and economy wide changes, changes in government policies etc.

Fundamental analysis focuses on what is ought to happen while technical analysis focuses on what has already happened. It analyses the economic indicators and financial statements while technical analysis makes use of the historic market data. Fundamental Analysis advocates that every security has an intrinsic value which is not reflected by the market price while technical analysis advocates that market price accounts for everything. It uses tools like ratio analysis other valuation methods to find the intrinsic value while Technical Analysis primarily depends on charts and technical indicators.

Fundamental analysis is a method of evaluating a security that entails attempting to measure its intrinsic value by examining related economic, financial and other qualitative and quantitative factors, and company specific factors. The aim of the thesis is to execute the fundamental analysis of automobile industry with reference to the selected companies.

1.2 INDUSTRY PROFILE

1.2.1 INTRODUCTION

The Indian car industry is one of the greatest on the planet. The business speaks to 7.1% of the country's Gross Domestic Product (GDP). As of FY 2014-15, around 31% of the little cars sold all around are created in India. ||The two-wheelers with 81% piece of the overall industry is the pioneer if the Indian automobile industry. The developing of the organizations hoping to venture into the provincial markets additionally supported the development of the division. The general traveler vehicle portion has a 13 % piece of the overall industry. India is additionally noteworthy auto exporter and as a strong export growth expectation post the not so distant future.

The financial services industry in India is a vast sector that has a lot of scope of aggressive expansion. It has been said by many experts that the Indian financial markets have not been utilized to its full potential yet. There is a huge scope of progress in this sector. There are many players in this sector. There are numerous players in this part. Some of them are banks, insurance agencies, non-saving money budgetary organizations, business firms, annuity stores, common assets and other monetary substances. In any case, money related administrations division in India is prevalently a managing an account segment with business banks representing over 64% of the aggregate resources held by the monetary framework.

I) EQUITY OR STOCK MARKET

The market place for immediate settlement of transaction involving commodities and securities. In an equity market, the exchange of goods and money between the seller and the buyer takes place in the present, as opposed to the futures market where such an exchange takes place on a specified future date.

Also known as the spot market, since transaction are settled on the spot.||

The securities market has two interdependent segments: the primary (new issues) market and the secondary market. The primary market is where new issues are first offered, with

any subsequent trading going on in the secondary market. The primary market provides the channel for the sale of new securities. Secondary market refers to a market where securities are traded after being initially offered to the public in the primary market and/OT listed on the stock exchange. The majority of the trading is done in the secondary market. Secondary market comprises of equity markets and debt markets.

II) SEBI

Chairman- Ajay Tyagi

The Securities and Exchange Board of India (SEBI) is the controller the securities advance in India. It was produced in the year 1988 and given statutory powers on 30 January 1992 through the SEBI Act, 1992. Securities and Exchange Board of India (SEBI) was set up in the year 1988 AQE as a non-statutory body for managing the securities advance.¶

III) RBI

The Reserve Bank of India (RBI) is India's focal keeping money establishment, which controls the financial strategy of the Indian rupee. It initiated its task on 1 April 1935 amid the British Rule as per the arrangements of the Reserve Bank of India Act, 1934 Issue of currency The bank issues and trades cash note and coins and decimates a similar when they are not fit for dissemination. RBI keeps up the monetary structure of the nation with the goal that it can accomplish the objects of value steadiness and also financial advancement on the grounds that the two destinations are different in themselves.¶

IV) RELATED FUNCTIONS

The RBI is additionally a broker to the administration and performs vendor saving money elements of the focal and state governments. It additionally goes about as their investor. RBI on 7 August 2012 said that Indian managing an account framework ids sufficiently strong to confront the pressure caused by the dry season like circumstance as a result of poor storm this year.¶

V) THE INDIAN STOCK MARKET

With more than 25 million investors, Indian has the third biggest speculator base on the planet after USA and Japan. More than 7500 organizations are recorded on the Indian stock trade. The Indian capital market is huge as far as the level of improvement, volume of exchanging, straightforwardness and its enormous development potential. India's market capitalization was the most noteworthy among the developing markets. The real trade, to be specific the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE) positioned no. 3 and 5 on the planet, figured by the quantity of every day exchanges done on the trades.

VI) BOMBAY STOCK EXCHANGE

Bombay Stock Exchange is the most seasoned stock trade not just in India in whole Asia. It got the Government of India's acknowledgment as a stock trade in 1956 under the Securities Contracts (Regulation) Act, 1956. At the season of its cause, it was a relationship of people, however now it has been changed into a corporate and demutualized substance. BSE is spread all finished India and is available in 417 towns and urban areas. The aggregate number of organizations recorded in BSE is around 3500. The fundamental file of BSE is called BSE SENSEX or basically SENSEX.

VII) NATIONAL STOCK EXCHANGE

National Stock Exchange (NSE) established, albeit later than BSE, is right now the main stock trade in India as far as aggregate volume exchanged. It is additionally situated in Mumbai yet has its essence in more than 1500 towns and urban communities. As far as market capitalization, NSE is a moment biggest base in South Asia. NSE's driving record is Nifty 50 or famously Nifty and is made out of 50 broadened benchmark Indian organization stocks. Clever is contracted based on weighted normal market capitalization technique

VIII) DERIVATIVES

Subsidiaries might be characterized as "A security or contract composed such that its cost gets from the cost of a basic resource" The cost of the subordinate security isn't subjective. It is connected to the Price of hidden resources. Changes in the cost of basic resources influence the cost of subordinate security. A genuine subordinate instrument requires no development of important assets. It is these qualities that make them such helpful instrument to fence and to go for broke.

For the most part, subsidiaries can be named takes after:

Futures, Options

IX) FUTURES

A future contract is refers to buy or sell a standard amount of or predetermined grades of certain commodity (i.e. Commodity futures) or financial instruments or currency (that is financial futures) on a predetermined future day at an agreed price.

It is an agreement between two parties to buy or sell a commodity or financial instrument at a predetermined future date at a price agreed when he contract is a madell.

X) OPTIONS

It is a contract between two parties whereby one party acquires the right, but not the obligation to buy or sell a particular commodity or financial instrument at a specified date.

Options s are two writes

(a) Call Options

(b) Put Options

1.2.2 HISTORY OF AUTOMOBILE INDUSTRY IN INDIA

The main auto that kept running on the Indian streets was in 1897. Through the 1930's, autos were imports just, and in little numbers Automotive industry rise in India in the 1940's. Hindustan motor were propelled in 1942, and its long-lasting rival chief in 1944, building Chrysler, Dodge and Fiat items individually.

Liberalization in 1991, gave a boost to this industry as reductions of restrictions allowed foreign players to enter India to do business and there were variety of joint ventures with Indian companies. The evolution of the auto industry contributed much to the economic growth of the country. It also helped the finance and insurance sectors. In time, vehicle insurance was set up and governed by the Motor Vehicles Act, 1988.

Multinational automakers like Suzuki and Toyota of Japan and Hyundai of south Korea, were permitted to put resources into the Indian market, advancing the foundation of a car industry in India. By 2000, there were 12 substantial car organizations in the Indian market; the majority of them teamed up with worldwide organizations.¶

The automobile industry in India is the tenth largest in the world with an annual production of approximately 2 million units. India is expected to overtake China as the world's fastest growing car market in terms of the number of units sold and the automotive industry is one of the fastest growing manufacturing sectors in India. Because of its large market (India has a population of 1.1 billion; the second largest in the world), a low base of car ownership (25 per 1,000 people) and a surging economy, India has become a huge attraction for car manufacturers around the world. Automobile History in India While automobiles were introduced to India in the late 1890's, the manufacturing industry only took off after independence in 1947. The protectionist economic policies of the government gave rise in the 1950's to the Hindustan Motors Ambassador, based on a 1950's Morris Oxford, and, is still ubiquitous in the roads and highways of India.

1.2.3 SEGEMENTATION OF THE INDUSTRY

The Indian automobile industry is segmented into four categories:

- a. Passenger Vehicles
- b. Commercial Vehicles
- c. Three Wheelers
- d. Two Wheelers

The growth prospect of India shoes a positive end as seen before in the economy analysis, which indicates a rise in the standard of living of people. Usually as the standard of living of people increases, people tend to shift from two wheelers to passenger vehicles like cars and SUV's. this aspect shows us that is tremendous potential in the passenger segment to grow.

1.2.4 MALLES AUTOMATED AND ROBOTICS SYSTEMS PVT LTD

The latest venture of Malles Automated & Robotic Systems, aims to rise as a leader and carve its own niche in the industry. Established in 2012, we continue to churn out products that save labour, energy and materials while improving quality, accuracy and precision. Our products so far, include the likes of collaborative tabletop robots and palletizing robots.

Malles is committed to continued leadership in the construction industry by actively engaging in furthering the diversity of our employees. Malles core team has a combined strength of engineers, professionals and skilled operators and construction workers are managed by an effective core team reporting to the board of directors.

1.3 COMPANY PROFILE

1.3.1 INTRODUCTION

Malles Automated And Robotic Systems Private Limited is an unlisted private company. It was incorporated on 28 October, 2013 and is located in Chennai, Tamil Nadu. It is classified as a private limited company. Company's authorized capital stands at Rs 1.5 lakhs and has 100.0% paid-up capital which is Rs 1.5 lakhs. Malles Group of companies serves customers in major market sectors such as construction, hospitality and automation. Malles Automated And Robotic Systems Private Limited last annual general meet (AGM) happened on 28 Sep, 2017.

Malles Automated and Robotic Systems Private Limited is majorly in Manufacturing (Machinery & Equipment's) business from last 7 years. The company last updated its financials on 31 Mar, 2017 as per Ministry of Corporate Affairs (MCA). The last reported AGM (Annual General Meeting) of Malles Automated And Robotic Systems Private Limited, per our records, was held on 30 September, 2019. Also, as per our records, its last balance sheet was prepared for the period ending on 31 March, 2019.

Malles Automated And Robotic System's operating revenues range is INR 1 cr - 100 cr for the financial year ending on 31 March, 2019. It's EBITDA has increased by 133.42 % over the previous year. At the same time, it's book network has increased by 15.64 %.

The latest venture of Malles Automated & Robotic Systems, aims to rise as a leader and carve its own niche in the industry. Established in 2012, we continue to churn out products that save labour, energy and materials while improving quality, accuracy and precision. Our products so far, include the likes of collaborative tabletop robots and palletizing robots. It is involved in Manufacture of special purpose machinery.

The economy or industry may underperformance sometimes due to various factors. The ID of these quantitative or subjective qualities is known as organization examination. This investigation comprises of estimating the organization's execution and finding out the reason for that execution.

There are two types of indicators involved in company analysis which are:

1. Qualitative Indicators
2. Quantitative Indicators

1. QUALITATIVE INDICATORS

There are many factors that are not present in the financial statements published by the companies. These factors may or may not have monetary value, but they matter in making an investment decision. These factors are qualitative in nature. Each of these plays a role in the investment decision of the investor. A company may have sound financial, but the investors may believe that the company that is best known for its goodwill in the market is the one that might succeed. So, it is for this purpose that the qualitative information is released in the annual reports by the management in the director's/auditor's report.

2. QUANTITATIVE INDICATORS

There are many factors that are not present in the financial statements published by the companies. These factors may or may not have monetary value, but they matter in making an investment decision. These factors are qualitative in nature. Each of these plays a role in the investment decision of the investor. A company may have sound financial, but the investors may believe that the company that is best known for its goodwill in the market is the one that might succeed. There are varieties of ratios that can be calculated and compared to the industry average to know which year have outperformed the industry and be suitable for investment.

1.3.2 KEY PLAYERS

HARISH CHANDRAPRAKASAM - CHAIRMAN & CEO



Harish Chandraprakasam's fascination with designing, building and using machines led him to pursue engineering as his passion. After acquiring a Masters in Robotics, he worked with prestigious companies in the field to gain practical experience in the area. He aims to combine his passion for robotics with practical implementation by providing industries with high-quality automation services at affordable prices.

U. NAGAMALLESWARI – Co Founder & Director Finance and Accounting

U. Nagamalleswari has been drawn to construction and real estate ever since she was a child. Along with her husband U. Chandraprakasam, she co-founded the company and took charge of the finance and accounting division. The company has prospered under her firm guidance, owing to her hard work, dedication and insight. Her vast experience and business acumen have helped shape the Malles Group into the successful enterprise that it is today.

C. THILAKRAJ - DIRECTOR - SALES & MARKETING

C. Thilakraj uses his background in commerce and management to develop and oversee sales as well as marketing strategies for the company. His exceptional interpersonal skills, customer-centric work ethic and ability to think strategically have helped build harmonious and mutually profitable relationships with our clients. He prioritizes the

growth and welfare of not just the company, but that of the Malles team and customers as well.

1.3.3 VISION

We will be known as the customer-focused builder. We are committed to high level responsiveness, quality and reliability that meet and exceed the needs of our customers and result in long-term relationships.

1.3.4 MISSION

Quality construction, on time and on budget for all customers, exceeding expectations through heritage of industry knowledge, integrity, values, confidence and trust.

1.3.5 STRENGTH

At the heart of every project lies the dedication and commitment of each and every member of our team. Malles Construction's organisational structure enables effective channelization of each and every team members resulting in efficient execution and successful completion of the projects.

1.3.6 PRODUCTS / SERVICES PROFILE AREAS OF OPERATION

At Malles Automation, we integrate robotics into any system by programming robotics software that controls the robotic device you need for your operation. Malles Automation can help your company with innovative, turnkey implementation of robot-based automated systems including design, supply, robot simulation, off-line and shop-floor programming of robots, robot cell calibration, training and documentation. As a part of our robotic programming and integration offerings, we make onsite visits to discuss about optimizing new or existing programming. Robotic programming from Malles Automation permits the deployment of new robots in a cost-effective manner.

Malles Automation has experienced programming technicians to help you reduce your cycle time, or to improve the quality of existing paths or planned robotic automation. Industrial robot programming is necessary to control every task a robot is to perform. We

are experts at programming robots to perform a wide variety of tasks such as material handling, machine tending, assembly, dispensing, welding, trimming applications, etc. Our multiple axis robotic automation allows the robot to position or orient its tool/device practically in any place that is mechanically feasible within its work envelope.

Our experience in robot programming enables our customers to maximize the productivity of their robotic automation. We also provide 24/7 availability for Robotic Programming Emergencies Occurrences that may critically affect your productivity.

Contract flexibility Extended term and short-term contracts for robotic automation and robot programming services are available.

Path and Source Code Robot Programming Robotics systems can be programmed to reduce cycle time and increase throughput from both a path and custom source code standpoint.

Off-Line Robot Programming/Simulation Our capable technicians can utilize off-line robotic programming and simulation software to reduce overall programming time and in-field debug. Software animation can be used to create programs and verify application feasibility for each robotic application.

1.3.7 SYSTEM DESIGN

Expertise and experience are the pillars of our robotic design services and engineering practices. When considering a system design specific to our customer's requirements, process requirements, maintenance considerations, and reliability are key elements. Engineering and design team members at Malles Automation utilize high-end software to create and deliver the system design to the customer and manufacturing team ensuring compatibility with process and production goals. Designs are optimized for fit and function. At Malles Automation, our design experts help determine the robotics system design and component selection that is most beneficial for specific process and goals.

Malles Automation designs robotics design and applications that improve quality and production in difficult and challenging environments.

1.3.8 CONSULTANCY

We have designed new products, created prototypes and delivered custom robots to clients in a range of sectors.

Malles Automation consulting services include end-to-end automation and robotic consulting services. Services include simultaneous engineering, design for testability, product debugging, testing and validation, manufacturing process strategy, process layout, planning and simulation, cost - benefit analysis, equipment specification writing, proof of principle and prototyping, engineering feasibility analysis, system designing, programming, building and integration, production line start-up, review and evaluations of existing production equipment, process flow and cycle time, optimization analysis, documentation of procedures and training and support.

1.3.9 CREDIT

The organization's essential offering in the financing business incorporates collateralized credit items, for example, support subsidizing, advances against shares, IPO financing, advance against EPOs and edge financing and so forth. The supporters of mid to extensive corporates constitute its key customer base.

1.3.10 CAPITAL MARKET

Hypothesis Banking, Equity Capital Markets and Advisory Services Malles has a champion among the most wide thing offering in Investment Banking in India, considering different market and customer parcels. The verticals inside Investment Banking join Equity Capital Markets which meld IPOs/FPOs, Rights and Open Offers, and Advisory associations which offers Mergers and Acquisition Advisory, Private Equity Syndication, Structured Finance Advisory and Infrastructure Advisory. Malles recognizes establishment with making and mid-highlight affiliations which are reflected in the # 1 arranging in both Bloomberg tables for mid-advance Private Equity Placements in CY2007 and Prime Database association tables for IPOs in Mid-promote zone in FY2008.

Operator Services, Institutional Equities Malles has one of the essential institutional characteristics relationship in India bolstered by a wide and experienced research gathering and all tremendous and isolated customer base with a touch of the pie of 4 to 4.5% among the most imperative in Indian business firms. Honest to goodness updating, unsurprising execution and imaginative research things have helped Edelweiss fabricate solid association with more than 400 dynamic institutional inspectors, including family institutional money related geniuses and FIIS crosswise over completed distinctive topographies. Malles gives board corporate access by techniques for yearly budgetary expert social events in various districts over the world with a solid inspector and Indian corporate wander. Research examine inevitably reaches to 189 affiliations transversely in excess of 20 divisions addressing more than —70% of aggregate market capitalization tending to one of the best Research scope universe. The quality and bore of research related with Mallesll are exhaustively respected over the institutional get-together. It keeps concentrating on path cutoff of view Research which sees future illustrations in advance they wind up acclaimed.

1.3.11 GROWTH INITATIVES

Malles keeps building up the running with progression practices with the target of isolating its customer segment and thing classes in its excursion to climb as a completely extended money related associations connection. It has set resources into Life Insurance business which has been affected beginning late. It has finished the getting of Anagram Capital amidst FY11n now rebranded as the Malles Financial Advisory Limited. This getting will help it in growing its Retail Broking and Distribution affiliations. Malles has in addition set resources into building its online retail broking group regularly with a hankering to twist up an essential player in this industry. The Housing Finance collaborator started business in the last 50% of FY11 and has plans to scale up the business continuing. Its Alternative Asset Management business close the EW Special Opportunities Fund in FY11. It has correspondingly pushed an Asset Reconstruction Fund and EW SBIH Crossover Fund beginning late. Malles considers this business as a change opportunity inside itsll refund business.

1.3.12 ADVANTAGES OF MALLES AUTOMATED & ROBOTIC SYSTEM PVT LTD

- Quality
- Fair Practices
- Equal Opportunity Employment
- Prompt Project Delivery
- Value for Money
- Consistency
- Integrity
- Customer Service
- Corporate Social Responsibility
- Flexible schedule
- Food allowance
- Health insurance
- Life insurance
- Paid sick time
- Work from home

1.4 STATEMENT OF THE PROBLEM

Every assets, financial has value. The key to successfully investing in and manufacturing those assets lies in understanding not only what the value is but the sources of the value. Any asset at can be valued but some assets are earlier to value than others, and the valuation varies hence the fundamental analysis is carried to analyse the various stocks.

1.5 NEED OF THE STUDY

- To understand the various policies of the company those, have an impact on the financial performance of the company.
- To understand the various investment valuation models that can be used.
- To find out the intrinsic value of the stock and compare with market value of that stock

- To help the readers understand the current economic scenario and the current sector performance of the selected industry

1.6 SCOPE OF THE STUDY:

This examination is most vital on the grounds that key investigation to help put resources into better understanding the business sectors and measures the bearing in which their speculation may be going and its utility aides in assessing the future patterns of the stock costs and to make a not too bad benefit out of it.

The project covers the following:

- Introduction to the Indian Automobile Industry
- Introduction to fundamental analysis
- Fundamental analysis of the companies including the analysis of automobile industry
- Findings, Conclusions and Recommendations.

1.7 OBJECTIVES OF THE STUDY

PRIMARY OBJECTIVE

- To study the fundamental analysis of company and strategies of the company for five years

SECONDARY OBJECTIVE

- To finding the balance sheet with necessary calculations of the company for past five years
- To analyse the financial performance of the company
- To analyse as to investing for past five years of this company would maximize the wealth of the investor.
- To determine the various investment valuation models that can used

1.8 LIMITATION OF THE STUDY

- Understanding the nature of the risk is not adequate unless the investor or analyst can express it in some quantitative terms. Expressing the risk of a stock in quantitative terms makes it comparable to other stocks.¶
- The measurement cannot be assured of percent accuracy because risk is caused by numerous factors such as social, political, economic and managerial efficiency.¶
- Only those investors who deal in capital markets are considered.¶• To help the readers understand the current economic scenario and the current sector performance of the selected industry.

CHAPTER-2

REVIEW OF LITERATURE

P. Devika (2019), A Study on fundamental analysis of Automobile companies in India - The term Financial Markets is often used to refer just to the markets that are used to raise finance. A financial market is a market in which people trade financial securities and derivatives such as futures and options at low transaction costs. An investor wants to invest his money in various kinds of securities but each and every investment contains some level of risk and as a reward he gets the return.

Eugene F. Fama (2010), Efficient Capital Markets: A Review of Theory and Empirical work This paper reviews the theoretical and empirical literature on the efficient markets model. After a discussion of the theory, empirical work concerned with the adjustment of security prices to three relevant information subsets is considered.

Moonchul Kim, Jay R. Ritter (1998), Valuing IPOs - The use of accounting information in conjunction with comparable firm multiples is widely recommended for valuing initial public offerings (IPOs). We find that the price-earnings (P/E), market-to-book, and price-to-sales multiples of comparable firms have only modest predictive ability without further adjustments.

Aw Alford (1992), The Effect of the set of comparable Firms on the accuracy of the price earnings – This paper studies empirically the accuracy of the P/E valuation method when comparable firms are selected on the basis of industry, risk, and earnings growth. The effect of adjusting earnings for cross-sectional differences in leverage is also examined.

Philip G. Berger and Eli Ofek (1995), Diversifications effect on firm value - We estimate diversification's effect on firm value by imputing stand-alone values for individual business segments. The value loss is smaller when the segments of the diversified firm are in the same two-digit SIC code. We find that over investment and cross-subsidization contribute to the value loss. The loss is reduced modestly by tax benefits of diversification.

Urs Peyer (2001), Leverage and internal capital markets: Evidence from leveraged recapitalizations - We study the internal allocation of resources for diversified firms that

complete a leveraged recapitalization. Before the recapitalization, internal capital markets allocate investment to high q segments. After the recapitalization, segment investment becomes less sensitive to q and more sensitive to segment cash flow.

Salikhova, T. (2019). Essays on Networks and Corporate Finance – The study is about how social connections among divisional managers act the capital allocation to divisions in diversified conglomerates. In contrast to the previous studies, it focus on horizontal connections formed among managers of the same level of corporate hierarchy.

Diderik Lund (2002), Taxation, Uncertainty, and the Cost of Equity - Traditionally the pre-tax cost of capital is a function of the interest rate and the tax system. However, uncertainty implies that the markets required return is no single interest rate, but depends on risk. Thus the required expected return after corporate taxes depends on the tax system.

Aswath Damodaran (2005), Valuation Approaches and Metrics: A survey of the Theory and Evidence - In this paper, we consider the theory and evidence on valuation approaches. We begin by surveying the literature on discounted cash flow valuation models, ranging from the first mentions of the dividend discount model to value stocks to the use of excess return models in more recent years.

Volker Herrmann & Frank Richter (2003), Pricing with Performance Controlled Multiples The empirical results suggest that a selection of comparable assets based on control factors is superior to a selection based on SIC industry codes. Our study also offers some guidance on the reliability of different bases of reference and on diverse methods of estimating multiples from comparable sets.

Gilson, Stuart C./Hotchkiss, Richard S (2000), Valuation of bankrupt firms, in: The Review of Financial studies - This study compares the market value of firms that reorganize in bankruptcy with estimates of value based on management's published cash flow projections. We estimate firm values using models that have been shown in other contexts to generate relatively precise estimates of value.

John Koeplin, Atulya Sarin (2005), The Private company discount - This article presents

an alternative framework to estimate the discount for private companies that computes four separate valuation multiples for a set of private transactions and a comparable set of public transactions.

Jing Liu, Doron Nissim, Jacob Thomas (2002), Equity Valuation using Multiples - A multiple is simply a ratio that is calculated by dividing the market or estimated value of an asset by a specific item on the financial statements. The multiples approach is a comparables analysis method that seeks to value similar companies using the same financial metrics.

Richter, Frank (2002), simplified discounting rules, variable growth, and leverage - This paper extends this analysis to the case of variable growth rates of expected cash flows. The earlier analysis was also based on the assumption of all-equity-financing. The impact of a financing strategy based on deterministic leverage ratios is included in this paper as well.

Richter, Frank (2001), simplified discounting rules in binomial models - The analysis is based on a joint binomial model for cash flows and market rates of return. The results show that if the analysis is based on a joint binomial model, the restrictive assumptions of the capital asset pricing model can be relaxed.

Altieri, M.P. and R.A. Naegele (2006), Protect retirement assets - Many assume their retirement funds are protected from creditors, but depending on the type of retirement account you have and the state where you live this is not necessarily the case. The good news is that many employer-sponsored plans generally have the best protection.

Amir E. Y Guan and D. Oswald (2010), The Effect of pension accounting on corporate pension asset allocation - Cross-sectional analysis shows that the shift away from equities is related to changes in funding levels, shorter investment horizons, increased financial leverage, and the expected impact of the new standards on shareholders' equity.

Amey L.R (1994) Terborgh's asset replacement formula reconsidered - This paper

examines Terborgh's rule on its own terms (assumptions, approximations) and reveals errors in derivation of the rule, by Terborgh and later by Smith (1961). The original rule is tested against the revised form with these errors eliminated over a range of interest rates, technological and other changes, and is found to be remarkably robust.

Alciatore M.P Easton & N. Spear (2000), Accounting for the impairment of long-lived assets: Evidence from the petroleum industry - We investigate write-downs of assets of oil and gas firms due to the application of the SEC full-cost ceiling test. The correlation between the write-down amounts and contemporaneous returns is statistically significant, but it is lower than the correlation with lagged returns.

Ackert L. F. B. K Church and P. Zhang (2004), Asset prices and informed trader's abilities: Evidence from experimental asset markets - This study reports the results of 15 experimental asset markets designed to investigate the effects of forecasts on market prices, traders' abilities to assess asset value, and the link between the two. Across the

Amie E. Y. Guan & D. Oswald (2010), the effect of pension accounting on corporate pension asset allocation - We examine the impact of new pension disclosures and subsequent full pension recognition under FRS 17 and IAS 19 in the United Kingdom and SFAS 158 in the United States on pension asset allocation. These standards require recognition of net pension surplus/deficit on the balance sheet and actuarial gains/losses in other comprehensive income.

Yair M Babad & Bala V. Balachandran (1993), Cost driver optimization in activity based costing - The goal of any cost management system is to provide relevant and timely information to management. This information supports better management of corporate resources in production of products or provision of services, and improves competitiveness in terms of costs, quality, and profitability.

Baber W.R & A. K. Gore (2008), Consequences of GAAP disclosure regulation; Evidence from municipal debt issues - We compare characteristics of municipal debt issues in states that mandate GAAP for municipalities with issues in states that impose no annual financial disclosure requirements. More generally, the evidence indicates that financial reporting regulation reduces contracting costs between borrowers and lenders.

William R.Baber Sok-Hyon Kang and Krishna R.Kumar (1999), The Explanatory power of earnings levels vs earnings changes in the context of executive compension - Studies in the capital market context indicate that earnings changes and earnings levels considered jointly provide a more comprehensive representation of unexpected earnings than either earnings changes or earnings levels considered alone.

Stephen P. Banginski and James M. Whalen (2003), Residual income risk, intrinsic values, and share prices - Empirical accounting research provides surprisingly little evidence on whether accounting earnings numbers capture cross-sectional differences in risk that are associated with cross-sectional differences in share prices.

Stephen P. Baginski, John M. Hassell and Michael D.Kimbrough (2002), The effect of legal environment on voluntary disclosure: Evidence from management earnings forecasts issued in U.S. and canadian markets - The findings hold after controlling for other determinants of management earnings forecast disclosure that might differ between the two countries-firm size, earnings volatility, information asymmetry, growth, capitalization rates, and membership in high-technology and regulated industries.

Tim Baldenius (2003), Delegated investment decisions and private benefits of control - This paper studies the capital budgeting process in a setting where a manager is privately informed about the profitability of an investment project and enjoys non pecuniary benefits of control.

Tim Baldenius, Sunil Dutta and Stefan Reichelstein (2004), Cost allocation for capital budgeting decisions - Investment decisions frequently require coordination across multiple divisions of a firm. This paper explores a class of capital budgeting mechanisms in which the divisions issue reports regarding the anticipated profitability of proposed projects.

Tim Baldenius, Nahum D. Melumad (2004), Integrating Managerial and Tax objectives in Transfer Pricing - This paper examines transfer pricing in multinational firms when individual divisions face different income tax rates.

Peter Dicken (2015), Global shift: Mapping the Changing Contours of the World Economy

The dynamic interactions among transnational corporations, nations, and other key players, and their role in shaping the uneven contours of development. Mapping the changing centers of gravity of the global economy.

Gustavo Grullon, Roni Michaely (2002), Dividends, Share Repurchases, and the Substitution Hypothesis – This paper shows that repurchases have not only become an important form of payout for U.S. corporations, but also that firms finance their share repurchases with funds that otherwise would have been used to increase dividends.

Moonchul Kim & Jay Ritter (1999), Valuing IPOs – The use of accounting information in conjunction with comparable firm multiples is widely recommended for valuing initial public offerings (IPOs). We find that the price} earnings (P/E), market-to-book, and price-to-sales multiples of comparable firms have only modest predictive ability without further adjustments.

Benjamin C. Esty (2000), What Determines Comparability When Valuing Firms with multiples? - In this paper, I decompose the Gordon growth model to illustrate the determinants of comparability and show that these variables provide additional explanatory power in explaining P/E ratios beyond size and industry.

Matteo Bonaventura, Giancarlo Giudici (2017), Valuation and performance of reallocated IPO shares - Shares in book-building IPOs can be reallocated in different proportions between retail and institutional investors, compared to the target allocation initially reported in official prospectuses.

Jay Ritter (2002), A Review of IPO Activity, Pricing, and Allocations – This paper review the theory and evidence on IPO activity: why firms go public, why they reward first-day investors with considerable under pricing, and how IPOs perform in the long run.

Linda Smith Bamber, Orie E. Barron, & Thomas L. Stobber (1997), Trading Volume and Different Aspects of Disagreement Coincident with Earnings Announcement - This paper investigate the association between disagreement coincident with earnings announcements and investors' trading decisions. Theory suggests that trading volume arises because of investor disagreement, but disagreement is a multi-faceted construct.

Tim Loughran, Jay Ritter (2004), Why has IPO underpricing changed over time? - The allocations of hot IPOs to the personal brokerage accounts of issuing firm executives created an incentive to seek rather than avoid underwriters with a reputation for severe underpricing.

Tim Loughran, Jay R Ritter (2000), uniformly least powerful tests of market efficiency - Defenders of market efficiency argue that anomalies involving long-term abnormal returns are not robust to alternative methodologies. We argue that because various methodologies use different weighting schemes, the magnitude of abnormal returns should differ, and in a predictable manner.

Paul Asquithi, Parag A Pathak, Jay R Ritter (2005), Short interest, institutional ownership, and stock returns - Stocks are short sale constrained when there is a strong demand to sell short and a limited supply of shares to borrow. For the overwhelming majority of stocks, short interest and institutional ownership levels make short selling constraints unlikely.

Rajiv D. Banker, Gordon Potter & Dhinu Srinivasan (2000), An Empirical Investigation of an Incentive plan that includes Nonfinancial Performance Measures - A growing literature suggests that because current nonfinancial measures are better predictors of long-term financial performance than current financial measures, they help refocus managers on the long-term aspects of their actions.

Hsuan-Chi Chen, Jay R Ritter (2000), The seven percent solution - Investment bankers readily admit that the IPO business is very profitable, and that they avoid competing on fees because they "don't want to turn it into a commodity business." We examine several features of the IPO underwriting business that result in a market structure where spreads are high.

Jay R Ritter (2003), Investment banking and securities issuance - In spite of the large expenditure of resources on analyst coverage, there is little academic work emphasizing the importance of the marketing of financial securities. Only recently have papers begun to focus on the corporate financing implications if firms face variations in the cost of external financing due to the mispricing of securities by the market.

Xiahui Gao, Jay Ritter (2010), The marketing of seasoned equity offerings - In an accelerated seasoned equity offering (SEO), an issuer foregoes the investment bank's marketing efforts in return for a lower fee. To explain why many issuing firms choose a higher cost fully marketed offer, we posit that the marketing effort flattens the issuer's short-run demand curve.

Rajiv D. Banker, Hsihui Chang & Mina J. Pizzini (2004), The Balanced Scorecard: Judgmental Effects of Performance Measures Linked to Strategy - The balanced scorecard provides a framework for selecting multiple performance measures that supplement traditional financial measures with operating measures of customer satisfaction, internal processes, and learning and growth activities.

Yasushi Hamao (2000), Institutional affiliation and the role of venture capital: Evidence from IPO in Japan - The presence of venture capital in the ownership structure of U.S. firms going public has been associated with both improved long-term performance and lower underpricing at the time of the IPOs.

Xiaoding Liu, R Ritter (2011), Local underwriter oligopolies and IPO underpricing - We test our model implications on all-star analyst coverage, industry expertise, and other non-price dimensions. Furthermore, we posit that venture capitalists (VCs) are especially focused on all-star analyst coverage, and develop the analyst lust theory of the underpricing of VC-backed IPOs.

Peter Dicken (2011), Global shift: Mapping the Changing Contours of the World economy - The definitive text on globalization, this book provides an accessible, jargon-free analysis of how the world economy works and its effects on people and places. Peter Dicken synthesizes the latest ideas and empirical data to blaze a clear path through the thicket of globalization processes and debates.

Apurva A. Chauhan (2014), A study on fundamental analysis of Indian Automobile industry with reference to the selected companies - The term Financial Markets is often used to refer just to the markets that are used to raise finance. A financial market is a market in which people trade financial securities and derivatives such as futures and options at low transaction costs.

Bhojraj. S & Lee.C. M (2002), A Valuation Based Approach to the Selection of Comparable Firms - This study presents a general approach for selecting comparable firms in market-based research and equity valuation. Guided by valuation theory, we develop a "warranted multiple" for each firm, and identify peer firms as those having the closest warranted multiple.

Abarbanel J. S Bernard (2000), Is the US Stock Market Myopic? - his paper tests whether the US stock market is myopic, in the sense that it places less than the appropriate weight on expected long-run earnings. We detect some anomalous stock price behavior, but find no support for the claim that stock prices exhibit myopic behavior as we have defined it here.

CHAPTER-3

RESEARCH METHODOLOGY

3.1 Research design:

Research design is the conceptual structure within which research is conducted. This research is about finding annual report of the company. Every stock available in the markets has a value called market price, which is the indicator of the company's performance. According to fundamental analysis, we will try to find the intrinsic value of a particular stock which is the true value of the stock, based on which investment arguments take place.

3.2 Sampling Unit:

This study is about collecting the fundamental data for the past 5 years in Malles automated and robotics system pvt ltd. According to fundamental analysis, we will try to find the intrinsic value of a particular stock which is the true value of the stock.

3.3 Sampling Size:

One company for automative sector that is:

- Malles automated and robotics system pvt ltd

3.4 Data Collection Methods/Source of data:

The study is about collecting the secondary data that has been collected from company reports and it is quantitative in nature. The data are collected from the employee working in Malles automated and robotics system pvt ltd. The sources are internal and its type is a balance sheet for last five years. Here this study consists of fundamental data analysis of the company.

3.5 TOOLS USED

- Microsoft excel : Spreadsheets
- Financial calculations: This was done to find the various valuation ratios and necessary calculations to find the intrinsic value of the company.

- Growth rate
 - Retention Ratio* Return on Equity
 - Return on equity = Risk free rate + (Beta of stock) * (Expected market risk premium)
 - Retention ratio = 1- Dividend pay-out Ratio
- Growth Performance
 - Compound Annual Growth Rate (CA-GR)
 - Sustainable Growth Rate
- Risk Exposure
 - Volatility
 - $V = \text{Range of ROE over } n \text{ years} / \text{Average ROE over } n \text{ year}$
- Analysis of Earning and Dividend Level
 - Return on Equity
 - Book Value per share
 - Earnings per Share
 - Dividend per Share
 - Dividend Payout Ratio
 - Debt-Equity Ratio
- Estimation of Intrinsic Value
 - This estimation is based on various assumptions taken by looking into past performance of the company and consistencies in the financial information provided in their annual report.

➤ ASSUMPTIONS

Beta -0.74

RFR 10year Govt bond = 7.25%

Market Risk Premium = 6% (business standard estimate)

(Note: Beta Values are taken from Reuters)

CHAPTER-4

DATA ANALYSIS AND INTERPRETATION

ANALYSIS OF MALLES AUTOMATED AND ROBOTIC SYSTEM PVT LTD

4.1 Return on Equity (ROE)

Table 4.1 Return on Equity (ROE)

Year	PAT(Crs) (A)	Equity Share Capital(B)	Reserves And Surplus(C)	Shareholders' funds(B+C)	ROE Ratio (A/B+C)
Mar15	2878.89	294.52	11660.28	11954.80	24.08%
Mar16	3352.82	295.16	14352.92	14648.08	22.89%
Mar17	3758.35	295.16	16845.24	16780.40	22.401%
Mar18	3321.11	295.70	18948.60	19244.30	17.26%
Mar19	3167.48	296.32	21400.08	21696.40	14.60%

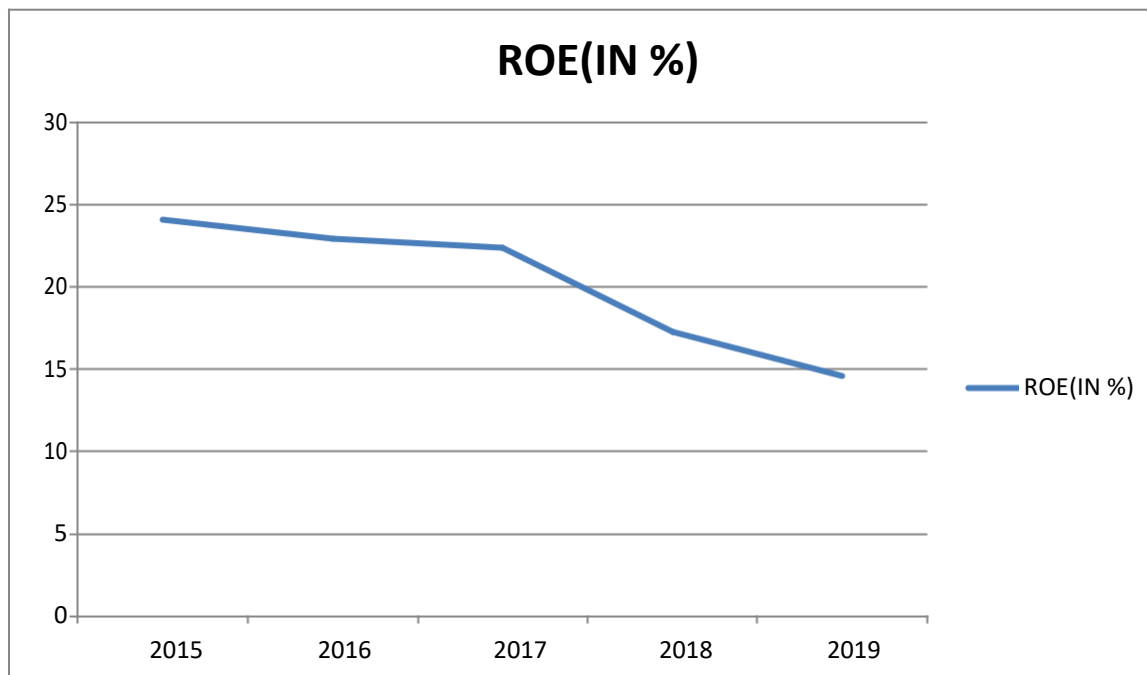


Chart 4.1 Return on equity

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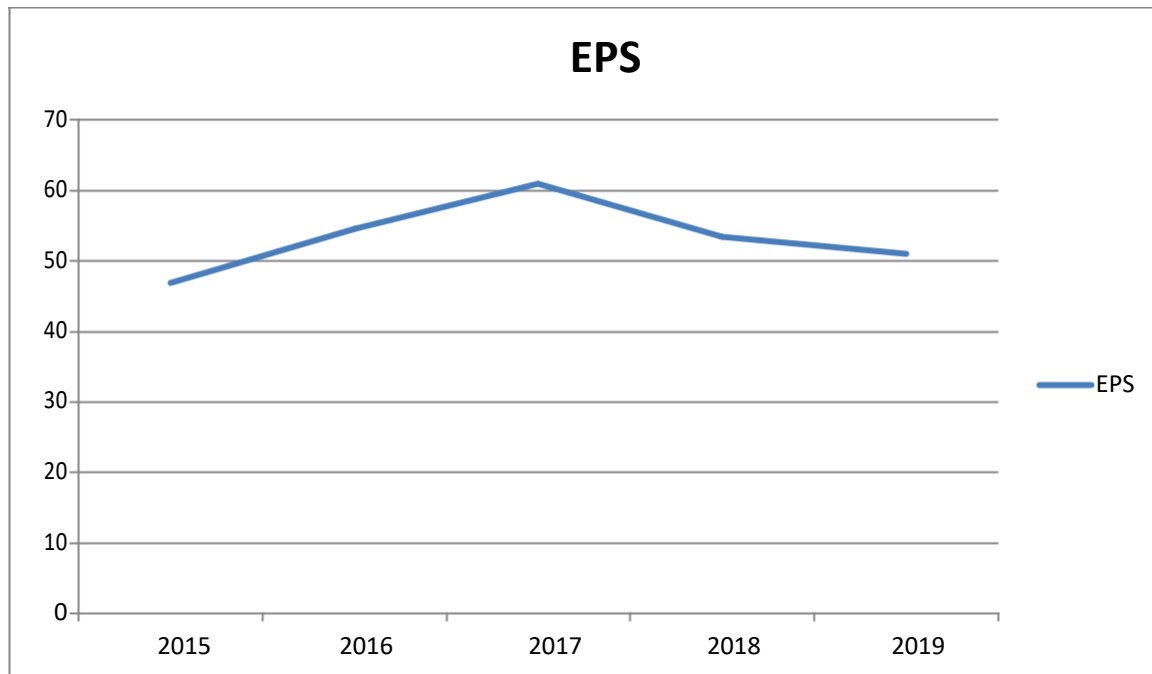
This is calculated by dividing the net profit after tax by the equity shareholders' funds. From the above tables we can say that for Malles Automated and Robotic system pvt ltd, have been less than impressive due to lower margin of profits and a high capitalization. There are miniscule profits to an increasing range of equity shareholders.

In the year 2017-18, the company made a huge stand-alone loss of Rs. 4783.95 crores due to which the ROE showed a negative figure of 31.89%. During the next year by using cost cutting and increasing revenue, the company has managed to turn around the loss to a marginal amount of profit and the ROE also become positive. For Malles Automated and Robotic system pvt ltd, the profits have shown both increasing and decreasing trends among the five years, but the shareholders' funds have shown an increasing trend only. So, the ROE has shown a decreasing trend, 24.08% being the rate in the first year and 14.6% being the latest rate.

4.2 Earnings per Share (EPS)

Table 4.2 Earnings per Share (EPS)

Year	PAT (Rs. In Cr) (A)	No. of Equity Shares (in Crs) (B)	EPS(A/B)
Mar15	2878.89	61.3975	46.89
Mar16	3352.82	61.3981	54.51
Mar17	3758.35	61.5892	61.02
Mar18	3321.11	62.1092	53.47
Mar19	3167.48	62.1092	51.00



4.2 Chart Earning per share

INFERENCE

EPS is a portion of a company's profit allocated to each outstanding share of common stock. It is an indicator of the company profitability. It is calculated by dividing the net profit after shares and after paying the preference dividends by the number of equity shares outstanding during the period.

The EPS of Malles Automated and Robotic system pvt ltd has shown a very consistent performance, the highlights being, the performance in the 2016-17 with the highest EPS of RS. 61.02. The EPS ever since has been reduced, but still in the range of 50's.

4.3 Book Value Per Share (BVPS)

Table 4.3 Book Value per Share (BVPS)

Year	Paid Up Capital(A)	Reserve and surplus (B)	Shareholders Funds (A+B)	No. of Equity Shares (C)	BVPS(Rs) (A+B/C)
Mar15	294.52	11660.28	11954.80	61.3975	194.71
Mar16	295.16	14352.92	14648.08	61.3981	238.58
Mar17	295.16	16845.24	16780.40	61.5892	272.46
Mar18	295.70	18948.60	19244.30	62.1092	309.85
Mar19	296.32	21400.08	21696.40	62.1092	349.33

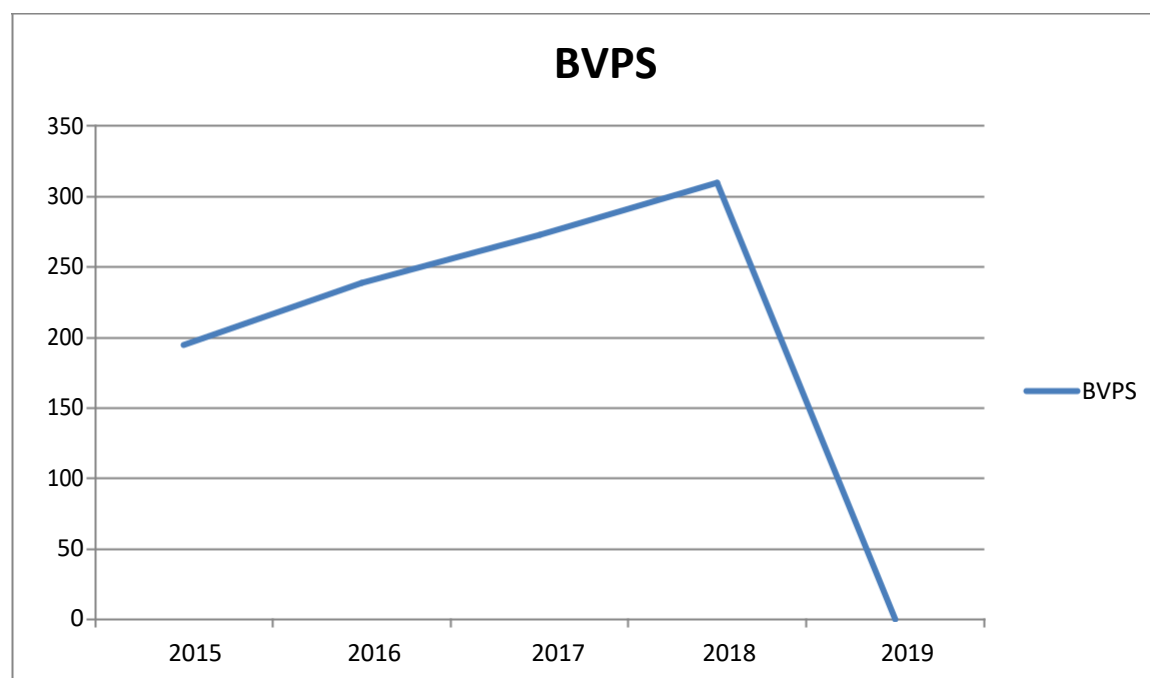


Chart 4.3 Book value per share (BVPS)

INFERENCE

It is the per share value of a company based on its equity available to its common shareholders. Higher the ratio indicates the good position of the company. It is calculated dividing the total equity shareholders funds by the number of equity shares outstanding during that period.

The BVPS of Malles Automated and Robotic system pvt ltd has shown an equally impressive growth in the rate by around 80% in the five years from Rs.194.71 in the initial year to Rs. 349.33 in the latest year.

4.4 Dividend per Share (DPS)

Table 4.4 Dividend per Share (DPS)

Year	Dividend (Crs) (A)	No. of Equity Shares (Crs) (B)	DPS (A/B)
Mar15	666.35	61.3975	10.85
Mar16	705.19	61.3981	11.49
Mar17	785.21	61.5892	12.31
Mar18	643.73	62.1092	10.36
Mar19	648.94	62.1092	10.45

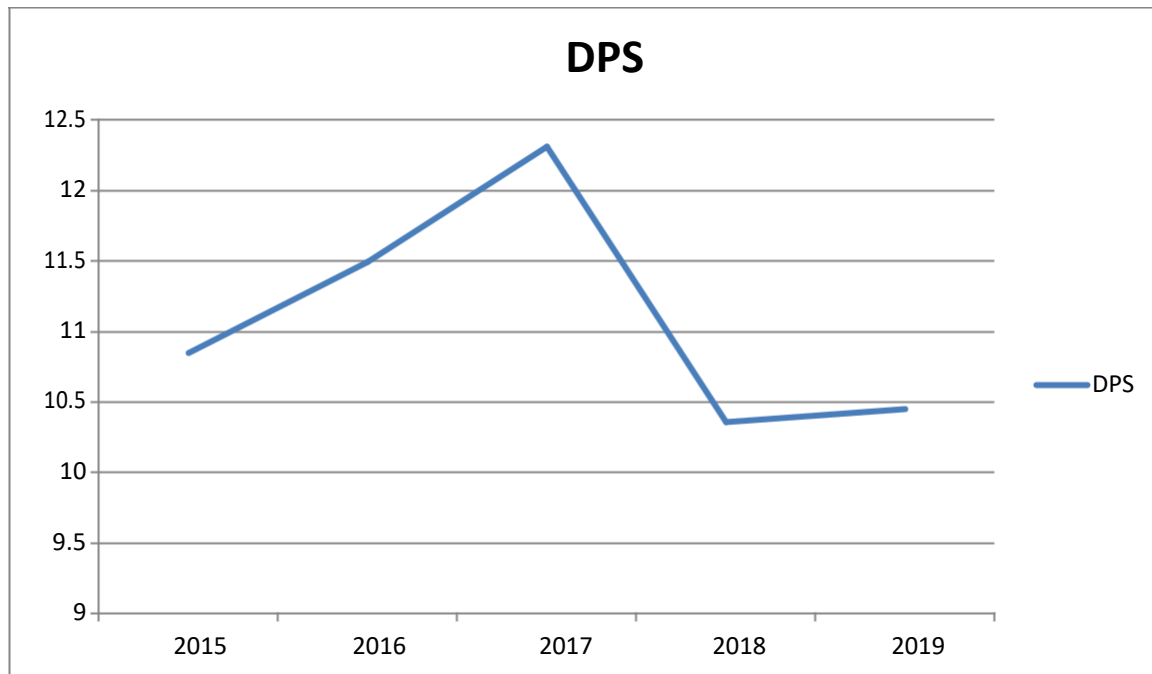


Chart 4.4 Dividend per share

INFERENCE

It is the amount of dividend the shareholders receive on a per share basis. It is calculated by dividing the amount of dividend paid by the number of equity shares outstanding during that period.

The DSP for Malles Automated and Robotic system pvt ltd has been consistent. It was the maximum in the year 2015-16 then it fell in the next year and it has grown in the current year showing a DPS of Rs. 10.45.

4.5 Debt Equity Ratio

Table 4.5 Debt Equity Ratio

Year	Debt (Cr₹) (A)	Equity (Cr₹) (B)	D/E Ratio (A/B)
Mar15	3174.22	11954.80	27:1
Mar16	3227.07	14648.08	22:1
Mar17	3745.16	16780.40	22:1
Mar18	2620.38	19244.30	14:1
Mar19	1843.55	21696.40	08:1

INFERENCE

The Debt Equity ratio indicates how much debt a company is using to finance its assets relative to the amount of value represented in shareholder's equity. It is a debt ratio used to measure a company's financial leverage. It is calculated by dividing the company's long-term debt by the shareholders equity.

The D/E ratio of Malles Automated and Robotic system pvt ltd is showing that it relies more on equity capital and also the ratio is reducing year on year. This indicates that the company is not taking additional debt financing and its repaying its existing debt.

4.6 Dividend Pay-out Ratio (D P/O)

Table 4.6 Dividend Payout Ratio (D P/O)

Year	Dividend (A)	PAT (B)	RATIO (A/B)
Mar15	666.35	2878.89	23.15%
Mar16	705.19	3352.82	21.03%
Mar17	785.21	3758.35	20.17%
Mar18	643.73	3321.11	19.38%
Mar19	648.94	3167.48	20.49%

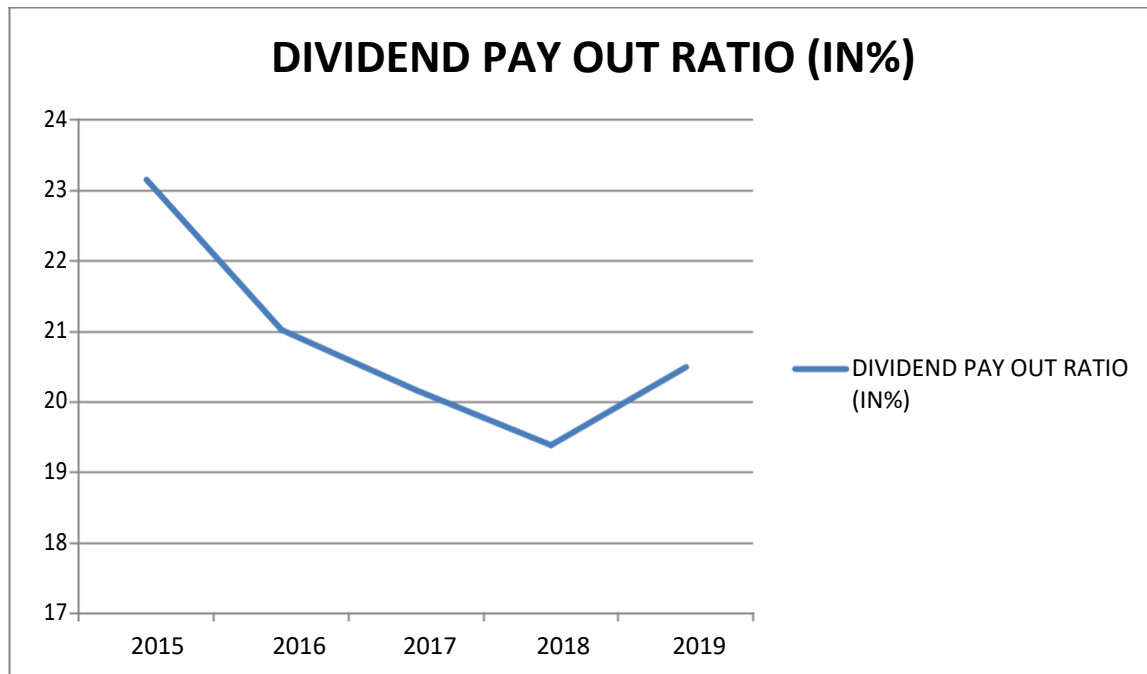


Chart 4.6 Dividend pay out ratio

INFERENCE

This is one of the growth indicators of the company. The Dividend Payout Ratio expresses the relationship between dividends per share and earnings per share. It indicates as to what percentage of earnings are being distributed to the shareholders of the company. It shows the percentage of profits that is paid out to the shareholder's in the form of dividends.

The higher the percentage the lower will be the growth as lesser amount is retained and reinvested back into the business. It is calculated by dividing the amount of dividend paid by the net profit after tax. When we reduce the DP/O percentage 100%, what we get is called the retention ration.

The Dividend Payout of Malles Automated and Robotic system pvt ltd have averaged around 21% showing a consistent payout and retention.

4.7 Compound Annual Growth Rate (CAGR)

CAGR of Sales = (Sales of 2019/Sales of 2015)

$$= (40,884.98 / 31,853.52)^{1/5} - 1 = 5.12\%$$

CAGR of EPS = (EPS 2019/EPS 2016) ^ 1/5 -1

$$= (51.00/46.89)^{1/5} - 1 = 1.69\%$$

CAGR of DPS = (DPS 2019/DPS 2016) ^ 1/5 -

$$1 = (10.45 / 40.85)^{1/5} - 1 = -0.0075\%$$

INFERENCE

Table 4.7 Compound Annual Growth Rate (CAGR)

CAGR	Malles Automated and Robotic system pvt ltd
Sales	5.12%
EPS	1.69%
DPS	-0.0075%

CAGR is a tool used to determine the annual rate of growth of a variable whose value has fluctuated widely from one period to the next. The Compound Annual Growth Rate is the year-over-year growth rate over a specified period of time. CAGR is the best formula for evaluating how different parameters have performed over time.

4.8 Sustainable Growth Rate (SGR)

SGR = Avg Retention Ratio * Avg ROE

$$\text{AVG ROE} = 24.08 + 22.89 + 22.40 + 17.26 + 14.60 / 5 = 20.25\%$$

Retention Ratio = 1 – Dividend pay-out Ratio (Div p/o)

Table 4.8 Sustainable Growth Rate (SGR)

Mar15	1-0.2315	0.7685
Mar16	1-0.2103	0.7897
Mar17	1-0.2017	0.7983
Mar18	1-0.1938	0.8062
Mar19	1-0.2049	0.7951

Avg retention Ratio = $0.7685 + 0.7897 + 0.7983 + 0.8062 + 0.7951 / 5 = 0.7916$

Sustainable Growth = $0.7916 * 20.25 = 16.03\%$

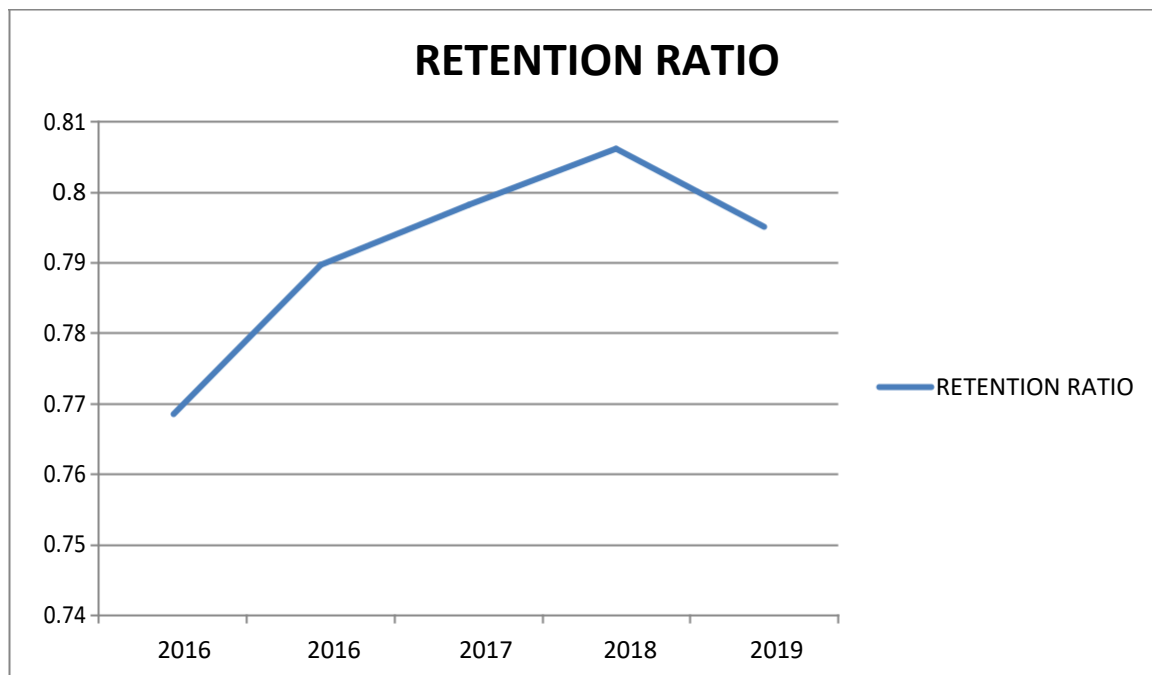


Chart 4.8 Retention ratio

INFERENCE

The sustainable growth rate is the maximum rate of growth that a firm can sustain without having to increase financial leverage or look for outside financing. It is measure of how large and how quickly a firm can grow without borrowing money. It is calculated by multiplying the company's return on shareholder's equity with the retention ratio of the company .

4.9 Volatility (V)

$V = \text{Range of ROE over } n \text{ years} / \text{Avg ROE over } n \text{ years}$

Table 4.9 Volatility (V)

Year	2015	2016	2017	2018	2019
ROE	24.08	22.89	22.40	17.26	14.60

Range = highest observation – lowest observation

$$= 24.08 - 14.60 = 9.48$$

$$\text{AVG ROE} = 24.08 + 22.89 + 22.40 + 17.26 + 14.60 / 5 = 20.25\%$$

$$\text{Volatility} = 9.48 / 20.25 = 0.47$$

INFERENCE

It is the degree of variation of a variable over time as measured by standard deviation of the returns. The variable considered here is Return on Equity. So, it shows much a company's ROE fluctuates showing the riskiness of investing in the company. It is calculated by finding out the range of the ROE values and dividing it by the average of ROE values. Higher the range higher will be the volatility. Lower the volatility better for the investors.

Table 4.9 Volatility (V) for the period from 2015-2019

	Range of ROE	Avg ROE	Volatility
Malles Automated and Robotic system pvt ltd	9.48	20.25	0.47

4.10 Estimation of Intrinsic Value

Estimate expected EPS

EPS Forecast

Table 4.10 Estimation of Intrinsic Value

Particulars	2017-18	2018-19	Assumption
Net Turnover	40,884.98	44,973.48	Increased by 10%
Other Income	854.85	875.59	Increased by 5%
Material and Mfg Expenses	29,950.31	32,945.34	Increased by 10%
Depreciations	1108.61	1241.64	Increased by 12%
Selling, Distribution and Admin Expenses	4022.31	4424.54	Increased by 10%
Miscellaneous Expenses	2342.15	2549.26	Increased by 5%
EBIT	4316.45	4710.29	
Interest	155.29	147.53	Decreased by 5%
EBT	4161.16	4562.76	
Extra-ordinary items	68.74	0	
Tax/Credit	1062.42	1168.66	Increased by 10%
EAT	3167.48	3394.10	
No. of Equity Shares	62.1092	62.1092	
EPS	51.00	54.65	

INFERENCE

The intrinsic value is the actual value of the company, stock or product determined through fundamental analysis without reference to its trend in market value. It is also known as fundamental value. This value may not be same as the current market value. It

is perception that it the market is higher than the intrinsic value, we say that the company stock is overpriced and if the intrinsic value is higher than the company stock than the company is undervalued. It is a figure arrived through assumptions about the company's future performance

Table 4.10 Intrinsic Value

	Projected EPS	Weighted PE Ratio	Expected Intrinsic Value
Malles Automated and Robotic system pvt ltd	133.08	13.98	1860.46

4.11 Establish a PE Ratio

Expected PE = Avg Dividend P/O/Required ROE – Expected Growth

Rate = $20.84/11.69 - 16.03 = 4.80$

Required ROE = Risk Free Rate + (Beta of stock) * (Expected Mkt Risk

Premium) = $7.250 + 0(0.74) * (6) = 11.69\%$

Expected Growth Rate = Retention Ratio * Return on Equity

= $0.7916 * (20.25) = 16.03\%$

Historical PE = Price/Earning (obtained from the company annual report)

March 17: 22.61

March 18: 21.14

AVG (17 and 18): 21

Weighted PE Ratio

Expected PE = 4.80

Historical PE = 21.88

AVG = 13.34

EXPECTED INTRINSIC VALUE = Projected EPS * Weighted PE ratio

= 54.65 * 13.34 = 729.03

4.12 Inflation

Inflation is defined as a sustained increase in the general levels of prices for goods and services. As inflation rises, each unit of money buys one, a smaller percentage of a goods or service. It observed that a certain level of inflation is necessary in the economy for its growth; a high level of inflation is harmful for the various sectors and consumers in the economy. Survey and studies show that the Indian automobile industry experienced and 8-9% slump due to inflation. But the current year the inflation has been under control. India has recently adopted the Consumer Price Index (CPI) to measure the inflation rates. The average CPI currently stands at 5.88%. The decline in the inflation rates as well as the rate cuts by the Central Bank will lower the cost of borrowing and investing to provide a boost to consumers and manufactures in the economy. This gives a very bright picture for the industry for the coming years and the consumers can expect good capital appreciation on their investment.

4.13 Foreign Direct Investment (FDI)

Foreign Direct investment is one of the major sources of money in the country for economic development. Foreign countries invest directly in the fast-growing private Indian businesses to take benefits of cheaper wages and changing business environment of India. FDI was first introduced in the year 1991 with the help of Dr. Manmohan Singh and P V Narsimha Rao and since then it has steadily increased in the country. It also generated more than one crore jobs in India. As indicated by Economic Times refresh, FDI amid October 2014 to May 2017 grew 46% to \$61.58 billion between April to December 2015; FDI got was around \$29.4 billion.

CHAPTER-5

FINDINGS, SUGGESTIONS AND CONCLUSION

5.1 FINDINGS

- Majority of the companies are fall in the GDP target of 7.1%.
- From the economic analysis of India, we can say that the GDP target of the country is at a very good rate of 7.6%.
- The increasing trend in GDP can be interpreted as a sign for economic growth and industrial development.
- A certain amount of inflation is necessary to bolster growth of the economy and the inflation stands at 5.88% CPI.
- The ROE are shown in the decreasing trend, in the year 2015 the ROE is 24.08% and in the year 2019 the ROE is 14.6%.
- Earnings per share allocates the profit of the company, it may vary depend on the stock in the company.
- The BVPS of Malles automated and robotic systems pvt ltd has shown an equally impressive growth in the rate by around 80% in the five years.
- The Dividend Per Share have recorded a mere Rs. 0.09 per share.
- The Debt Equity ratio is quite consistent which a more than proportional reliance on equity capital than debt capital in four out of the five years analysed.
- In Dividend Payout Ratio, the higher the percentage the lower will be the growth as lesser amount is retained and reinvested back into the business.
- The annual rate of growth of a variable whose value has fluctuated widely from one period to the next.
- The Sustainable Growth Rate Malles Automated and Robotic Systems pvt ltd is showing a negative figure of -0.39%, indicating that it must take outside funding for growth and expansion.
- The volatility of ROE Malles Automated and Robotic Systems pvt ltd is very high indicating high degree of risk.
- The company stock is overpriced and if the intrinsic value is higher than the company stock than the company is undervalued.

5.2 SUGGESTIONS

Intrinsic Value Analysis

Table 5.2.1 Intrinsic Value Analysis

Particulars	Intrinsic Value	Current Market Price
Malles Automated and Robotic system pvt ltd	1374.23	1170.45

- Purely based on intrinsic value, selling the stock is recommended.
- The companies that have their stock price closer to the intrinsic value are the ones that can achieve intrinsic value much faster and produce faster returns.
- But intrinsic value alone cannot be the deciding factor. There are many factors that can affect the gain part of the stock.

5.3 CONCLUSION

From the point of view of investment decision, fundamental analysis provides awareness into the economic performance of a business enterprise. The Indian economy is on the verge on expansion. This is a positive sign for industries like the automobile industry. There are many factors that affects the individual companies in the industry. By doing the industry analysis we found that there is much more potential in the automobile industry than what is being displayed currently. The inflow of FDI is constantly increasing which can lead to technological breakthroughs and innovations. These are positives sign for the industry.

By doing the company analysis we can conclude that in the terms of CAGR of sales, EPS and DPS: Earning per Share, Dividend per Share, BVSP, Dividend Pay-out and Volatility. Malles Automated and Robotic system pvt ltd has performed well in certain aspects like return on Equity.

Investigation helps the financial specialist in settling on speculation choices however few out of every odd venture is totally subject to key examination alone. After effects of specialized investigation and also other subjective elements identified with the organization's execution should likewise be considered while settling on a speculation choice. An appropriate examination helps in decreasing the dangers on interest in the offer market and aides in picking less unsafe and exceptionally compensating speculation roads.

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APPENDIX I

FINANCIAL STATEMENT

PROFIT AND LOSS ACCOUNT FROM THE PERIOD OF 2015 TO 2019 IS AS
FOLLOWS ('in Rs. Cr.)

Particulars	Mar-19	Mar-18	Mar-17	Mar-16	Mar-15
INCOME					
Revenue from Operations [Gross]	423.53	316.30	276.87	201.56	154.83
Revenue from Operations [Net]	423.53	316.30	276.87	201.56	154.83
Other Operating Revenues	26.90	19.07	13.65	9.08	6.67
Total Operating Revenues	450.43	335.37	291.01	234.98	185.08
Other Income	0.04	2.97	4.53	5.98	7.09
Total Revenue	450.47	338.34	297.76	243.65	174.21
EXPENSES					
Employee Benefit Expenses	85.65	70.08	63.20	59.18	53.56
Finance Costs	140.52	23.23	20.67	15.43	10.75
Depreciation and Amortization Expenses	2.83	2.56	2.12	1.98	1.65
Other Expenses	77.87	57.48	50.01	46.78	41.78
Total Expenses	306.88	153.35	144.98	132.56	112.90

BALANCE SHEET FROM THE PERIOD OF 2015 TO 2019 IS AS FOLLOWS

(in Rs. Cr.)

Particulars	Mar-19	Mar-18	Mar-17	Mar-16	Mar-15
LIABILITIES					
Share Capital	87.35	83.46	75.40	69.88	61.23
Reserves & Surplus	1632.16	1520.46	1476.89	1389.56	1309.67
Net Worth	1719.51	1603.92	1547.87	1433.07	1311.43
Secured Loan	21.20	10.41	9.71	7.60	4.54
Unsecured Loan	715.03	564.67	484.87	370.76	289.56
TOTAL LIABILITIES	2455.75	2274.80	1954.56	1732.77	1502.87
ASSETS					
Gross Block	12.17	10.41	9.45	7.63	6.91
Net Block	6.58	4.46	4.09	3.64	3.21
Investments	1663.34	1556.67	1498.78	1356.76	1243.43
Sundry Debtors	52.20	93.31	112.76	115.78	120.89
Cash and Bank	31.58	21.53	19.78	15.80	14.11
Loans and Advances	910.26	899.49	802.67	754.09	698.43
Total Current Assets	994.05	1014.33	1150.88	1208.56	1297.32
Current Liabilities	164.57	255.90	302.43	376.11	414.98
Provisions	47.43	47.23	46.9	46.54	45.32
Total Current Liabilities	212.00	303.13	411.98	525.76	601.90
NET CURRENT ASSETS	782.05	711.20	698.30	634.76	587.07

APPENDIX II

ARTICLES

A STUDY ON FUNDAMENTAL ANALYSIS IN AUTOMOBILE COMPANY WITH REFERENCE TO MALLES AUTOMATED AND ROBOTIC SYSTEM PVT LTD

ABSTRACT

The aim of the thesis is to perform the fundamental analysis of automobile industry with reference to the selected companies. Fundamental analysis is an approach to arrive at the 'correct price' of the security. Its objective is to identify the under priced and overpriced securities in the market place so that the investment decision-buying and selling of securities can be made. The automobile industry is one of the core industries in India and is optimistic of posting good sales in the coming years. So, the investment in the shares and securities of automobile companies seems to be profitable. As a part of the analysis, Automobile industry is turned out to be one of the essential business of the Economy. The study is done using secondary data collected from Employee who works in Malles Automated and Robotic Systems pvt ltd for the period of last five years from year 2015 to 2019. The first part of the thesis is focused on introduction of necessary theoretical framework, the second part continues with analysis of automobile industry and finally in last part valuation is performed and an investment recommendation is formulated.

1. INTRODUCTION TO FUNDAMENTAL ANALYSIS

Fundamental analysis assesses the fair market value of equity shares by examining the assets, earnings prospects, cash flow projections, and dividend potential. Fundamental analysis differs from technical analysis that essentially relies on price and volume trends and other market indicators to identify trading opportunities.

Fundamental analysis of a business involves analyzing its financial statements and health, its management and competitive advantages, and its competitors and markets. Fundamental analysis is performed on historical and present data, but with the goal of making financial forecasts. Fundamental analysis helps in analyzing strategy, management, product, financial position and many other readily and not-so-readily quantifiable numbers which will help to choose stocks that will outperform in the market.

OBJECTIVE OF THE STUDY

PRIMARY OBJECTIVE

- To study the fundamental analysis of company and strategies of the company for five years

SECONDARY OBJECTIVE

- To finding the balance sheet with necessary calculations of the company for past five years
- To analyse the financial performance of the company
- To analyse as to investing for past five years of this company would maximize the wealth of the investor.
- To determine the various investment valuation models that can used

2. REVIEW OF LITERATURE

A literature review is a body of text that aims to review the critical points of current knowledge on a particular topic.

P. Devika (2019), A Study on fundamental analysis of Automobile companies in India - The term Financial Markets is often used to refer just to the markets that are used to raise finance. A financial market is a market in which people trade financial securities and derivatives such as futures and options at low transaction costs. An investor wants to invest his money in various kinds of securities but each and every investment contains some level of risk and as a reward he gets the return.

Eugene F. Fama (2010), Efficient Capital Markets: A Review of Theory and Empirical work This paper reviews the theoretical and empirical literature on the efficient markets model. After a discussion of the theory, empirical work concerned with the adjustment of security prices to three relevant information subsets is considered.

Moonchul Kim, Jay R. Ritter (1998), Valuing IPOs - The use of accounting information in conjunction with comparable firm multiples is widely recommended for valuing initial public offerings (IPOs). We find that the price-earnings (P/E), market-to-book, and price-to-sales multiples of comparable firms have only modest predictive ability without further adjustments.

Aw Alford (1992), The Effect of the set of comparable Firms on the accuracy of the price earnings – This paper studies empirically the accuracy of the P/E valuation method when comparable firms are selected on the basis of industry, risk, and earnings growth. The effect of adjusting earnings for cross-sectional differences in leverage is also examined.

Philip G. Berger and Eli Ofek (1995), Diversification's effect on firm value - We estimate diversification's effect on firm value by imputing stand-alone values for individual business segments. The value loss is smaller when the segments of the diversified firm are in the same two-digit SIC code. We find that over investment and cross-subsidization contribute to the value loss. The loss is reduced modestly by tax benefits of diversification.

Urs Peyer (2001), Leverage and internal capital markets: Evidence from leveraged recapitalizations - We study the internal allocation of resources for diversified firms that complete a leveraged recapitalization. Before the recapitalization, internal capital markets allocate investment to high q segments. After the recapitalization, segment investment becomes less sensitive to q and more sensitive to segment cash flow.

Salikhova, T. (2019). Essays on Networks and Corporate Finance – The study is about how social connections among divisional managers affect the capital allocation to divisions in diversified conglomerates. In contrast to the previous studies, it focuses on horizontal connections formed among managers of the same level of corporate hierarchy.

2. RESEARCH METHODOLOGY

Research design:

Research design is the conceptual structure within which research is conducted. This research is about finding annual report of the company. Every stock available in the markets has a value called market price, which is the indicator of the company's performance. According to fundamental analysis, we will try to find the intrinsic value of a particular stock which is the true value of the stock, based on which investment arguments take place.

Sampling Unit:

This study is about collecting the fundamental data for the past 5 years in Malles automated and robotics system pvt ltd. According to fundamental analysis, we will try to find the intrinsic value of a particular stock which is the true value of the stock.

Data Collection Methods/Source of data:

The study is about collecting the secondary data that has been collected from company reports and it is quantitative in nature. The data are collected from the employee working in Malles automated and robotics system pvt ltd. The sources are internal and its type is a balance sheet for last five years. Here this study consists of fundamental data analysis of the company.

TOOLS USED

- Microsoft excel : Spreadsheets
- Financial calculations: This was done to find the various valuation ratios and necessary calculations to find the intrinsic value of the company.

- Growth rate

Retention Ratio* Return on Equity

Return on equity = Risk free rate + (Beta of stock) * (Expected market risk premium)

Retention ratio = 1- Dividend pay-out Ratio

- Volatility

$V = \text{Range of ROE over } n \text{ years} / \text{Average ROE over } n \text{ years}$

3. ANALYSIS

Analysis of Earning and Dividend Level

- Return on Equity
- Book Value per share
- Earnings Per Share
- Dividend Per Share
- Dividend Payout Ratio
- Debt-Equity Ratio

Growth Performance

Compound Annual Growth Rate (CA-GR) Sustainable Growth Rate

Risk Exposure

Volatility

Estimation of Intrinsic Value

This estimation is based on various assumptions taken by looking into past performance of the company and consistencies in the financial information provided in their annual report.

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SUGGESTION

4. Intrinsic Value

Analysis Intrinsic Value

Analysis

Particulars	Intrinsic Value	Current Market Price
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