

A Project Report

**“STUDY ON FUNDAMNETAL ANALYSIS OF AUTOMOBILE
COMPANIES IN INDIAN STOCK MARKET”**

Submitted to

G. S. College of Commerce & Economics Nagpur

In partial fulfillment for the award of the degree of

Bachelor of Business Administration

Submitted by

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Under the Guidance of

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Academic Year 2021 – 22



G.S. College of Commerce & Economics, Nagpur

Academic Year 2021 – 22



CERTIFICATE

This is to certify that “**DHIRAJ VIJAY KOSARKAR**“ **has** submitted the project report titled “**STUDY ON FUNDAMNETAL ANALYSIS OF AUTOMOBILE COMPANIES IN INDIAN STOCK MARKET**”, towards partial fulfillment of **BACHELOR OF BUSINESS ADMINISTRATION** degree examination. This has not been submitted for any other examination and does not form part of any other course undergone by the candidate.

It is further certified that he has ingeniously completed his project as prescribed by Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur.

Mr. KAMLESH THOTE

**(Project Guide)
ordinator)**

Prof. AFSAR SHEIKH

(Co-

Place: NAGPUR

Date:

G.S. College of Commerce & Economics, Nagpur
Academic Year 2021 – 22



DECLARATION

I here-by declare that the project with title “**STUDY ON FUNDAMNETAL ANALYSIS OF AUTOMOBILE COMPANIES IN INDIAN STOCK MARKET**” has been completed by me in partial fulfillment of **BACHELOR OF BUSINESSADMINISTRATION** degree examination as prescribed by Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur and this has not been submitted for any other examination and does not form the part of any other course undertaken by me.

DHIRAJ KOSARKAR

Place: NAGPUR

Date:

G.S. College of Commerce & Economics, Nagpur

Academic Year 2021 – 22



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I will fail in my duty if I do not thank the non-Teaching staff of the college for their co-operation. I would like to thank all those who helped me in making this project complete and successful.

DHIRAJ KOSARKAR

Place: NAGPUR

Date:

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Chapter 1

INTRODUCTION

INTRODUCTION

The equity market is considered to be one of the most rewarding avenues even though it involves more risk. Since the risk is very high in equity investment, the investors need to make equity analysis that helps them to know about the risk-return characteristics of those equity shares and those industries in which he/she wishes to park the savings.

In this outlook, a study has been undertaken to analyse the equity shares of companies in the automobile industry of Indian stock market. Indian automobile industry is one of the largest in the world and considered to be one of the fastest growing sectors. So, the study on equity analysis of this industry will help the potential investors in taking informed and rational investment decision. This study is conducted for a period of 5 years, it takes only 50% of the total companies forming NIFTY Auto index.

Equity analysis is basically a combination of two independent analysis, namely fundamental analysis & Technical analysis. The subject of Equity analysis, i.e., the attempt to determine future share price movement & its reliability by references to historical data is a vast one, covering many aspects from the calculating various FINANCIAL RATIOS, plotting of CHARTS to extremely sophisticated indicators. A general investor can apply the principles by using the simplest of tools: pocket calculator, pencil, ruler, chart paper & your cautious mind, watchful attention. It should be pointed out that, this equity analysis does not discuss how to buy & sell shares, but does discuss a method which enables the investor to arrive at buying & selling decision.

India's automobile industry was the fifth-largest market in the world in the year 2020. Due to the increasing population of the country, there is a surge in the demand in the two-wheeler segment. In the past 4 years, domestic automobile production has grown at a CAGR of 2.36%. Various auto companies have expanded their operations internationally in the past few years. It is expected that India will become the 3rd largest automobile player in terms of volumes by the end of 2026.

A. FUNDAMENTAL ANALYSIS

Fundamental analysis is a method of forecasting the future price movements of financial instrument based on economic, political, environmental and other relevant factors and statistics that will affect the basic supply and demand of whatever underlies the financial instrument. It is the study of economic, industry and company conditions in an effort to determine the value of a company's stock. It is also known as "top-down approach". This approach attempts to study the economic scenario, industry position and the company expectations and is also known's "economic-industry-company approach (EIC approach)".

B. FINANCIAL MARKETS

Finance is the pre-requisite for modern business and financial institutions play a vital role in the economic system. It is through financial markets and institutions that the financial system of an economy works. Financial markets refer to the institutional arrangements for dealing in financial assets and credit instruments of different types such as currency, cheques, bank deposits, bills, bonds, equities, etc. Financial market is a broad term describing any marketplace where buyers and sellers participate in the trade of assets such as equities, bonds, currencies and derivatives. They are typically defined by having transparent pricing, basic regulations on trading, costs and fees and market forces determining the prices of securities that trade. Generally, there is no specific place or location to indicate a financial market.

C. INDIAN FINANCIAL MARKETS

India Financial market is one of the oldest in the world and is considered to be the fastest growing and best among all the markets of the emerging economies. The history of Indian capital markets dates back 200 years toward the end of the 18th century when India was under the rule of the East India Company.

List of Stock Exchanges in India

- Bombay Stock Exchange
- National Stock Exchange

Chapter 2

Company Profile

The companies we are talking about here are: -

- Mahindra & Mahindra
- Maruti Suzuki
- Tata Motors

This is not a thumb rule proving a theory or thesis we are working on this sector for a purpose,

Selected companies have nothing to do with superiority in this sector and this research is not an investment advisory pamphlet.

To be honest these are the companies most preferred by newbie investors and hence they got the place here.

We are going to talk about these companies Financial Positions some important ratios, Share Holding Patterns.

All data is collected mostly from financials provided by companies themselves.

Mahindra & Mahindra Limited operates in nine segments. The automotive segment includes sales of automobiles, spare parts and related services. Farm equipment segment includes sales of tractors, spare parts and related services; information technology (IT) services, which consists of services rendered for IT and telecom; financial services includes services relating to financing, leasing and hire purchase of automobiles and tractors; steel trading and processing includes trading and processing of steel; infrastructure includes operating of commercial complexes, project management and development; hospitality segment includes sale of timeshare; Systech segment includes automotive components and other related products and services, and its others segment includes logistics, after-market, two wheelers and investment. In February 2013, it completed its purchase of the Navistar Group's stake in Mahindra Navistar Automotives Ltd (MNAL) and Mahindra Navistar Engines Pvt Ltd (MNEPL)...The company also in the business activities of Automotive, Farm Equipment.

They eventually saw a business opportunity in expanding into manufacturing and selling larger MUVs and started assembling under license of the Willys Jeep in India. Soon, M&M was established as the Jeep manufacturer in India, later commenced manufacturing light commercial vehicles (LCVs) and agricultural tractors.

Mahindra began assembling the Jeep CJ3 in 1954, and light commercial vehicles in 1965. In 1979 the licensed assembly of Peugeot diesel four-cylinder engines and transmissions began, and in 1982 a tie-up with Kia Motors to build their four-speed KMT90 transmission and transfer case was announced.[46] Mahindra's MM range was a mainstay of the lineup and was eventually also offered with a 1.8-liter Isuzu petrol engine in addition to International and Peugeot diesels.[47] Mahindra started making passenger vehicles firstly with the Logan in April 2007 under the Mahindra Renault joint venture.[48] M&M made its maiden entry into the heavy trucks segment with the Mahindra Truck and Bus Division, the joint venture with International Truck, USA.

South African Police Mahindra XUV500

Mahindra produces a wide range of vehicles, including MUVs, LCVs and three-wheelers. It manufactures over 20 models of cars, including larger, multi-utility vehicles like the Scorpio and the Bolero. It formerly had a joint venture with Ford called Ford India Private Limited to

build passenger cars.[50]

At the 2008 Delhi Auto Show, Mahindra executives said the company was pursuing an aggressive product expansion program that would see the launch of several new platforms and vehicles over the next three years, including an entry-level SUV designed to seat five passengers and powered by a small, turbocharged Diesel engine.[51] True to their word, Mahindra & Mahindra launched the Mahindra Xylo in January 2009, selling over 15,000 units in its first six months.[52]

Also in early 2008, Mahindra commenced its first overseas CKD operations with the launch of the Mahindra Scorpio in Egypt,[53] in partnership with the Bavarian Auto Group. This was soon followed by assembly facilities in Brazil.

Mahindra & Mahindra has a controlling stake in Mahindra REVA Electric Vehicles. In 2011, it also gained a controlling stake in South Korea's SsangYong Motor Company.



Maruti Suzuki

Maruti Suzuki India Limited, formerly known as Maruti Udyog Limited, is an Indian automobile manufacturer, based in New Delhi. It was founded in 2001 and owned by the Government of India until 2003, when it was sold to the Japanese automaker Suzuki Motor Corporation. As of February 2022, Maruti Suzuki has a market share of 44.2 percent in the Indian passenger car market.

In 1982, a license and joint venture agreement (JVA) was signed between Maruti Udyog Ltd., and Suzuki of Japan. At first, Maruti Suzuki was mainly an importer of cars. In India's closed market, Maruti received the right to import 2 fully built-up Suzuki in the first two years, and even after that, the early goal was to use only 33% indigenous parts. This upset the local manufacturers considerably. There were some concerns that the Indian market was too small to absorb the comparatively large production planned by Maruti Suzuki, with the government even considering adjusting the petrol tax and lowering the excise duty in order to boost sales. Local production commenced in December 1983 with the introduction of the SS30/SS40 Suzuki Fronte/Alto-based Maruti 800. In 1984, the Maruti Van with the same three-cylinder engine as the 800 was released and the installed capacity of the plant in Gurgaon reached 40,000 units.

In 1985, the Suzuki SJ410-based Gypsy, a 970 cc 4WD off-road vehicle, was launched. In 1986, the original 800 was replaced by an all-new model of the 796-cc hatchback Suzuki Alto (SS80) and the 100,000th vehicle was produced by the company. In 1987, the company started exporting to western markets, when a lot of 500 cars were sent to Hungary. By 1988, the capacity of the Gurgaon plant was increased to 100,000 units per annum.

Relationship between the Government of India, under the United Front (India) coalition and Suzuki Motor Corporation over the joint venture was a point of heated debate in the Indian media until Suzuki Motor Corporation gained the controlling stake. This highly profitable joint venture that had a near monopolistic trade in the Indian automobile market and the nature of the partnership built up till then was the underlying reason for most issues. The success of the joint venture led Suzuki to increase its equity from 26% to 40% in 1987, and to 50% in 1992, and further to 56.21% as of 2013. In 1982, both the venture partners entered into an agreement to nominate their candidate for the post of Managing Director.

Maruti Suzuki's has been criticized for compromising safety in their products by automotive enthusiasts, journalists, and the Global NCAP, as they are made lighter in terms of kerb weight to achieving higher fuel economy. Starting 2014, several of their made for India cars were crash tested at Global NCAP, most of which have given disappointing results. Cars like Alto, Swift, Celerio, S-Presso (with driver's airbag), and Eeco which had no safety features like airbags were awarded 0 stars, while Wagon-R and Swift (2018 model year) which had dual front airbags were awarded 2 stars out of 5. Only the VitaraBrezza (4 stars), Ignis (3 stars) and Ertiga (3 stars) have been awarded decent safety ratings. Though, Maruti Suzuki claimed that they were following the safety standards mandated by the Government of India, it however only implied with the safety features included in their cars and not the strong body shell or build quality which suffers the impact of the crash. Maruti Suzuki has also come under fire for discrimination with customers in India, by making cars safe meant for exports to European and African markets.

Company Essentials		
MARKET CAP ⓘ	ENTERPRISE VALUE ⓘ	NO. OF SHARES ⓘ
₹ 2,31,628.95 Cr.	₹ 2,29,076.15 Cr.	30.21 Cr.
P/E ⓘ	P/B ⓘ	FACE VALUE ⓘ
45.13	4.38	₹ 5
DIV. YIELD ⓘ	BOOK VALUE (TTM) ⓘ	CASH ⓘ
0.59 %	₹ 1,752.51	₹ 3,047.10 Cr.
DEBT ⓘ	PROMOTER HOLDING ⓘ	EPS (TTM) ⓘ
₹ 494.30 Cr.	56.37 %	₹ 169.90
SALES GROWTH ⓘ	ROE ⓘ	ROCE ⓘ
-6.99%	8.28 %	10.25%
PROFIT GROWTH ⓘ	Add Your Ratio	
-24.09 %		

* Total debt includes long term borrowing, short term borrowing plus current maturities of long-term borrowing
 * Ratios are based on latest Audited Financial Report

TATA MOTORS

Tata Motors Limited is an Indian multinational automotive manufacturing company, headquartered in the city of Mumbai, India which is part of Tata Group. The company produces passenger cars, trucks, vans, coaches, buses, luxury cars, sports cars, construction equipment.

Formerly known as Tata Engineering and Locomotive Company (TELCO), the company was founded in 1945 as a manufacturer of locomotives. The company manufactured its first commercial vehicle in 1954 in a collaboration with Daimler-Benz AG, which ended in 1969. Tata Motors entered the passenger vehicle market in 1988 with the launch of the TataMobile followed by the Tata Sierra in 1991, becoming the first Indian manufacturer to achieve the capability of developing a competitive indigenous automobile. In 1998, Tata launched the first fully indigenous Indian passenger car, the Indica, and in 2008 launched the Tata Nano, the world's most affordable car. Tata Motors acquired the South Korean truck manufacturer Daewoo Commercial Vehicles Company in 2004. Tata Motors has been the parent company of Jaguar Land Rover since the company established it for the acquisition of Jaguar Cars and Land Rover from Ford in 2008.

Tata Motors has auto manufacturing and vehicle plants in Jamshedpur, Pantnagar, Lucknow, Sanand, Dharwad, and Pune in India, as well as in Argentina, South Africa, the United Kingdom, and Thailand. It has research and development centers in Pune, Jamshedpur, Lucknow, and Dharwad, India and South Korea, the United Kingdom, and Spain. Tata Motors is listed on the BSE (Bombay Stock Exchange), where it is a constituent of the BSE SENSEX index, the National Stock Exchange of India, and the New York Stock Exchange. The company is ranked 265th on the Fortune Global 500 list of the world's biggest corporations as of 2019.

Tata Motors Cars is a division of Tata Motors which produces passenger cars under the Tata Motors marque. Tata Motors is among the top four passenger vehicle brands in India with products in the compact, midsize car, and utility vehicle segments. The company's manufacturing base in India is spread across Jamshedpur (Jharkhand), Pune (Maharashtra), Lucknow (Uttar Pradesh), Pantnagar (Uttarakhand), Dharwad (Karnataka) and Sanand (Gujarat). Tata's dealership, sales, service, and spare parts network comprises over 3,500 touch points.

Tata Motors has more than 250 dealerships in more than 195 cities across 27 states and four Union Territories of India. It has the third-largest sales and service network after Maruti Suzuki and Hyundai.

The TATA Motors European Technical Centre is an automotive design, engineering, and research company. Company based at Warwick Manufacturing Group (WMG) on the campus of the University of Warwick in the United Kingdom. It was established in 2005 and is wholly owned subsidiary of Tata Motors. It was the joint developer of the World Truck. In September 2013 it was announced that a new National Automotive Innovative Campus would be built at WMG at Warwick's main campus at a cost of 92 million pounds. The initiative will be a partnership between Tata Motors, the university, and Jaguar Land Rover, with the 30 million pounds in funding coming from Tata Motors.

Tata Motors has unveiled electric versions of the Tata Indica passenger car powered by TM4 electric motors and inverters, as well as the Tata Ace commercial vehicle, both of which run on lithium batteries.

In 2008 Tata Motors' UK subsidiary, Tata Motors European Technical Centre, bought a 50.3% holding in electric vehicle technology firm Miljøbil Grenland/Innovasjon of Norway for US\$1.93 million, and planned to launch the electric Indica hatchback in Europe the following year.[66][67][68] In September 2010, Tata Motors presented four CNG–Electric Hybrid low-floored Starbuses to the Delhi Transport Corporation, to be used during the 2010 Commonwealth Games. These were the first environmentally friendly buses to be used for public transportation in

India.

Company Essentials		
MARKET CAP ⓘ ₹ 1,72,257.57 Cr.	ENTERPRISE VALUE ⓘ ₹ 2,61,369.62 Cr.	NO. OF SHARES ⓘ 332.03 Cr.
P/E ⓘ 0	P/B ⓘ 3.39	FACE VALUE ⓘ ₹ 2
DIV. YIELD ⓘ 0%	BOOK VALUE (TTM) ⓘ ₹ 153	CASH ⓘ ₹ 46,792.46 Cr.
DEBT ⓘ ₹ 1,35,904.51 Cr.	PROMOTER HOLDING ⓘ 46.41 %	EPS (TTM) ⓘ ₹ -28.50
SALES GROWTH ⓘ -4.32%	ROE ⓘ -22.17 %	ROCE ⓘ -1.27%
PROFIT GROWTH ⓘ -18.60 %	Add Your Ratio	

* Total debt includes long term borrowing, short term borrowing plus current maturities of long-term borrowing

Chapter 3

OBJECTIVES, SCOPE & IMPORTANCE OF **THE STUDY**

AIMS & OBJECTIVES

The objective of this study is to deeply analyse our Indian Automobile Industry for investment purpose by monitoring the growth rate and performance on the basis of historical data.

1. Detailed analysis of Automobile industry which is gearing towards international standards
2. To analyse risk and return of equity shares of automobile industry in India □
3. To compare the risk and return characteristics of selected automobile companies in Indian stock market
4. Analyze the impact of qualitative factors on industries .
5. Suggesting as to which company's shares would be best for an investor to invest.

In order to achieve the objective of maximizing the return, the investors need to consider both risk factor and return potential of various companies under consideration. That will be differing from companies to companies. Equity analysis is one of the most important techniques used to measure the risk and return factor of equities of different companies.

SCOPE OF THE STUDY

The scope of the study is identified after and during the study is conducted. The study is based on tools like fundamental analysis and ratio analysis.

The scope is limited to only the fundamental analysis of the chosen stocks. It is through financial markets and institutions that the financial system of an economy works. As the reduction in rates by RBI will provide more lending opportunities in this segment. Further on, one should analyse the qualitative factors like market penetration, Capex requirements, capital availability, tech-savvy companies, etc. There has been a continuous increase in Indian automobile exports. Apart from this, the rise in income of the young population and the middle class is boosting the demand for vehicles in the economy. Apart from this, the industry is getting FDI inflows and even the government of India is investing continuously in this sector. The announcement of a scrap policy for old vehicles also contributed to the surge of demand for the vehicles. There has been a significant increase in the research and development hubs in the industry. Around 8% of the country's R&D spend is on the automobile sector.

In short, what we are trying to make clear is about emerging automobile sector and its Under-rated stocks potential should we invest in this sector, the timing, the momentum the quantum of investment.

Keeping it as simple as possible, we are moving further to limitations.

Importance of The Study

- To start any business capital plays major role. Capital can be acquired in two ways by issuing shares or by taking debt from financial institutions or borrowing money from financial institutions.
- The owners of the company have to pay regular interest and principal amount at the end. Stock is ownership in a company, with each share of stock representing a tiny piece of ownership. The more shares you own, the more of the company you own.
- The more shares you own, the more dividends you earn when the company makes a profit. In the financial world, ownership is called “Equity”.
- Apart from this, the automobile industry is an interest-rate-sensitive sector. One needs to check upon the actions of the government before investing in the segment. As the reduction in rates by RBI will provide more lending opportunities in this segment. Further on, one should analyse the qualitative factors like market penetration, Capex requirements, capital availability, tech-savvy companies, etc.

Under the financial ratios, the investors should look specifically for the debt-to-equity ratio. Being a capital-intensive industry, investors should invest in companies with lower debt-to-equity ratio compared to the industry levels. Another important ratio to be considered in this segment is the inventory turnover ratio. This ratio tells how frequently the company is able to sell off its inventory in a year. The investor should prefer the higher ratio as it shows how efficiently the company is able to manage its inventory.

LIMITATION OF THE STUDY

- This study has been conducted purely to understand Equity analysis for investors.

The end goal is to arrive at a number that an investor can compare with a security's current price in order to see whether the security is undervalued or overvalued.

- The study is restricted to three companies based on Fundamental analysis.

Fundamental analysis (FA) is a method of measuring a security's intrinsic value by examining related economic and financial factors. Fundamental analysts' study anything that can affect the security's value, from macroeconomic factors such as the state of the economy and industry conditions to microeconomic factors like the effectiveness of the company's management.

- The study is limited to the companies having equities.

The point here is to focus on the fundamentals of the company. Here, we have analyzed the company based on their current fundamentals. Also, the qualitative analysis of these companies will provide with a better outlook towards them

- Detailed study of the topic was not possible due to limited size of the project.
- Suggestions and conclusions are based on the limited data .

Chapter 4

RESEARCH METHODOLOGY

RESEARCH DESIGN

Research is defined as “a scientific and systematic search for pertinent information on a specific topic”.

Research is a systemized effort to gain knowledge it is a careful enquiry.

Different types of research design

There are four main types of Quantitative research: **Descriptive, Correlational, Causal-Comparative/Quasi-Experimental, and Experimental Research**. Attempts to establish cause-effect relationships among the variables. These types of design are very similar to true experiments, but with some key differences.

"An important difference between causal-comparative and correlational research is that **causal-comparative studies involve two or more groups and one independent variable, while correlational studies involve two or more variables and one group.**"

Causal-comparative/quasi-experimental research **attempts to establish cause-effect relationships among the variables**. These types of design are very similar to true experiments, but with some key differences

Experimental research is **a study that strictly adheres to a scientific research design**. It includes a hypothesis, a variable that can be manipulated by the researcher, and variables that can be measured, calculated and compared. Most importantly, experimental research is completed in a controlled environment.

Descriptive survey research **uses surveys to gather data about varying subjects**. This data aims to know the extent to which different conditions can be obtained among these subjects. For example, a researcher wants to determine the qualification of employed professionals in Maryland

SAMPLING PLAN

The act or process, or technique of selecting a representative part of population for the purpose of determining parameters or characteristics of the whole population

The sample size of study is collected from 100 customers.

TOOLS FOR DATA COLLECTION:

Data collection is a most essential aspect of any research the whole result depends on the data collected and information processed hence. The methodology adopted by me to collect the data is through primary and secondary data, will be helpful for final interpretation.

There are two types of data collected

- 1) Primary data
- 2) Secondary data

Primary data

Primary data was firstly collected data from annual report of the banks and register for Investors to gain more about the loans and advances rules and regulations and methods and other more information, discussion were had with the officials which provides helpful data collected, books and general banking information annual report, etc

Secondary data

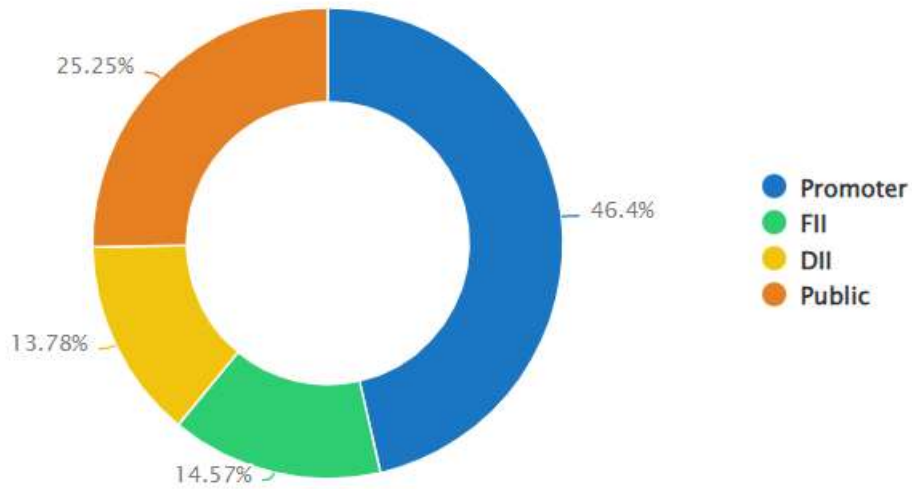
Secondary data based on the loans and advances were prepare, to know the financial position different rate of interest based on loans imported finding were noted.

The information is collected through secondary sources during the project. That information was utilized for calculating performance of based on the interest rate inter presentation were made.

Chapter 5

DATA ANALYSIS

➤ **Tata Motors**(As on Date)



Title- 1 Shareholding Pattern

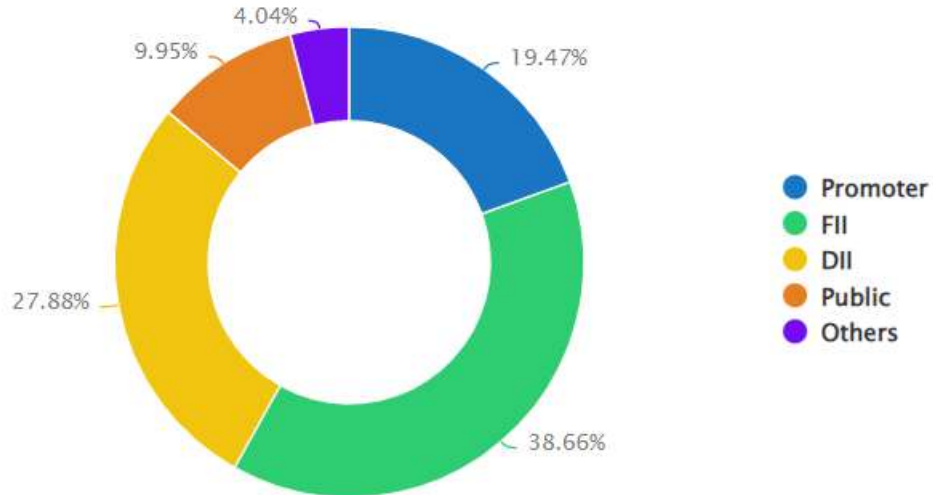
INTERPRETATION:

From the above graph it can be said that the share holder pattern of TATA MOTORS is divided among Promoter, FII, DII & Public. In which promotes owns 46.4% share, FII holds 14.57%, DII has 13.78% and public share holder are at 25.25%

**INTERPRETATION:**

From the above graph gives information about the revenue pattern of TATA MOTORS from the year 2017 to 2021 for 2017 it was 269692, for 2018 it was 294619, for 2019 it was 301938, for 2020 it was 261067 and for 2021 it was 249794.

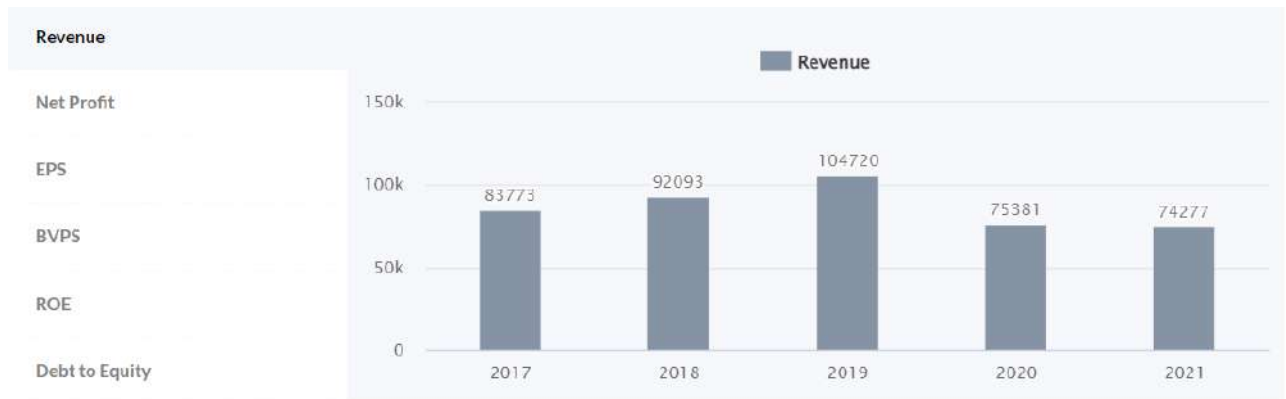
➤ **Mahindra & Mahindra** (As on Date)



Title 1 Shareholding Pattern

INTERPRETATION:

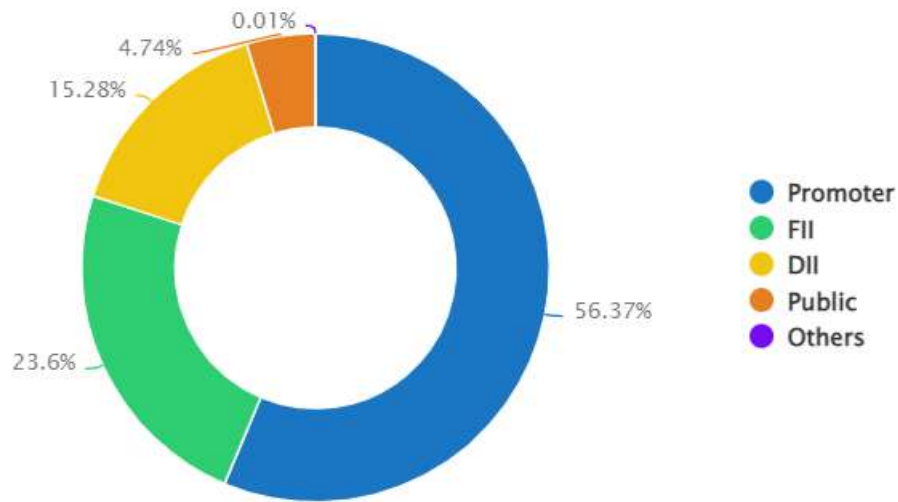
From the above graph it can be said that the share holder pattern of Mahindra & Mahindra is divided among Promoter, FII, DII & Public. In which promoter owns 19.47 % share, FII holds 38.66%, DII has 27.88% and public share holders are at 9.95% and also others 4.04%.



INTERPRETATION:

From the above graph gives information about the revenue pattern of Mahindra & Mahindra from the year 2017 to 2021 for 2017 it was 83773, for 2018 it was 92093, for 2019 it was 104720, for 2020 it was 75381 and for 2021 it was 74277.

➤ **Maruti Suzuki** (As on Date)



2 Shareholding Pattern

INTERPRETATION:

From the above graph it can be said that the share holder pattern of Maruti Suzuki is divided among Promoter, FII, DII & Public. In which promoter owns 56.37% share, FII holds 23.6%, DII has 15.28% and public share holders are at 4.74% .

**INTERPRETATION:**

From the above graph gives information about the revenue pattern of Mahindra & Mahindra from the year 2017 to 2021 for 2017 it was 68085, for 2018 it was 79809, for 2019 it was 86068, for 2020 it was 75660 and for 2021 it was 70372.

- Let's study some auto sector companies, we have selected the following companies for study and analysis: –

Maruti Suzuki

M&M

Eicher Motors

Tata Motors

The companies here are a combination of 2-wheeler and 4-wheeler companies. These companies have been chosen on the basis of market capitalization.

Sr. No.	Company Name	Market Cap (Rs. Crore)
1.	Maruti Suzuki	2,35,892
2.	M&M	98,878
3.	Tata Motors	50,803

The top 100 companies according to the market capitalization are called as the large cap companies. Companies from 101 to 250 (based on market capitalization) are the mid-cap companies and the rest, that is above 250 are the small cap companies.

All the 4 companies here are large cap-oriented companies.

- The analysis of these companies is going to be based on 4 parameters. They are as follows:

Price-to-Earnings (PE) Ratio

Return On Capital Employed (ROCE)

Return On Equity (ROE)

Debt-to-Equity (DE) Ratio

These 4 parameters play an important role in the analysis of any company. This does not mean that one should be dependent only on these, but these 4 parameters are crucial for initial screening.

Every parameter has been equal importance (25%). And the companies are scored from 1 to

8, where 1 being the least and 8 being highest score. (Total number of companies taken here are

8, that's why the mentioned scoring card)

PE Ratio

Sr. No.	Company Name	PE Ratio	Score
1	Maruti Suzuki	2,35,892	2
2	M&M	98,878	1
3	Tata Motors	50,803	3

PE ratio is nothing what price an investor is paying for 1 rupee of earning.

The company which has the highest PE ratio has been scored 1 and the company with the lowest PE ratio has been a score of 4.

The PE ratio of M&M is the highest and has gotten the score of 1 and Tata Motors has the lowest PE ratio and that is why it's has been scored 8.

- A company gets premium valuations when the company's business prospects are looking good.

ROCE

Sr. No.	Company Name	ROCE	Score
1	Maruti Suzuki	23.77%	3
2	M&M	13.64%	2
3	Tata Motors	8.55%	1

Maruti Suzuki has scored 8 having the highest ROCE and Tata Motors scored 1 for having the lowest ROCE.

Eicher Motors has a ROCE of 49.4%. This mean that it has capacity of 49.4% to generate returns on the capital. This is a very good number.

ROE

Sr. No.	Company Name	ROE	Score
1	Maruti Suzuki	16.37%	2
2	M&M	17.23%	3
3	Tata Motors	10.04%	1

Here too, Tata Motors scored 1 by having the lowest ROE.

DE Ratio

Sr. No.	Company Name	ROE	Score
1	Maruti Suzuki	16.37%	2
2	M&M	17.23%	3
3	Tata Motors	10.04%	1

If a company's ROE is less than its ROCE, then it means that the company is not able to manage its debt efficiently. And whenever, the ROE decreases than the ROCE, the chances of increasing debt increase. If the company is able to generate returns and is also not able to service its debt, then that is not good.

Maruti Suzuki being 0-debt companies have scored 8. M&M has the highest DE ratio and has thus scored 1.

Final Standings

Sr. No.	Company Name	1 Year Return	Score
1	Maruti Suzuki	-22	17
2	M&M	5	13
3	Tata Motors	10	6

Chapter 6

Findings & Suggestion

FINDINGS:

➤ During the study period, the average daily return of all the selected companies in the automobile sector is negative. Among all the companies, M&M has the highest negative daily average return.

➤ The correlation coefficient between the daily return of selected automobile companies with the return of NIFTY Auto index is highest for Tata Motors Ltd as ISSN 2319 – 1953 International Journal of Scientific Research in Computer Science Applications and Management Studies IJSRCSAMS Volume 8, Issue 1 (January 2019) compared to other company that is 0.8168 and it is very low for M&M

➤ Tata Motors Ltd has a beta value of more than one (1.5437). It shows that the market risk of Tata Motors is very high. On the other hand, the alpha value is also high for Tata Motors (0.0496). Therefore, it has a potential of gaining a high return.

➤ The beta values of all other companies are less than one. Therefore, the risk of such equity will be low. Similarly, their alpha values are also less. Therefore such equities have a low return.

SUGGESTION:

Crux- We suggest to invest in Tata Motors for long term and at the same time to minimize the risk of volatility investing in Maruti Suzuki as well preferred ration should be 70:30.

Chapter 7

Conclusion

All this data is collected from financials provided by companies themselves and rankings and scores are marked as per basic rational of an investor.

Considering above data, we can conclude that Tata Motors and M&M are the only 2 companies who have given positive returns in past few years, but there are many other factors I need to consider while deciding the investment option.

We are here for **VALUE INVESTING** and not intraday or swing trade investment.

It takes a while to build wealth considering ratios and revenues and debt of the companies, I personally Conclude that TATA MOTORS is performing almost well under all circumstance accept in case of PE Ratio the only reason for that is its high investing in upcoming electric innovations.

S No.	Company	Alpha	Beta
1	Mahindra & Mahindra	0.9082	0.0073
2	Tata Motors	1.5437	0.0496
3	Maruti Suzuki	0.8805	- 0.0692

In order to achieve the objective of maximizing the return, the investors need to consider both risk factor and return potential of various companies under consideration. That will be differing from companies to companies. Equity analysis is one of the most important techniques used to measure the risk and return factor of equities of different companies. From this analysis, it is concluded that the Maruti Suzuki equity has a low beta value (0.8805) so it is less risky and the volatility of price is lesser than the market. But its alpha value is very low (-0.0534). Tata Motors Ltd gives a high return as compared to other equities but its beta value is also very high. Thus, it involves more risk. Among all other companies, Mahindra & Mahindra Ltd is the best company to invest (as per financial data) because its beta value is less than one (0.9082) and it has also a positive alpha value (0.0073).

Chapter 8

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