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## A Comparative Study of Fundamental and Technical Analysis on Selected Automobile Companies In India

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### Abstract

The Automotive industry in India is one of the largest in the world with an annual production of 23.96 million vehicles in FY (fiscal year) 2016–17. The Government of India aims to make automobile manufacturing the main driver of "Make in India" initiative, as it expects the passenger vehicles market to triple to 9.4 million units by 2026, as highlighted in the Auto Mission Plan (AMP) 2016-26. So, There is wide opportunities occurs in automobile industry in share market, this study is helpful to investors for safe invest money in selected shares.

**Keywords:** Fundamental analysis, Technical analysis, Automobile industry India, investment decisions, Risk and Return Analysis

### 1. Introduction

Nowadays, Security Analysis and Portfolio Management concern itself with investment in financial assets with specific attention to the returns and risk associated with investing in securities. Traditional investment analysis, when applied to securities, emphasizes the projection of prices and dividends. That is, the potential price of a firm's common stock and the future dividend stream are forecasted, and then discounted back to the present. This intrinsic value is then compared with the security's current market price. If the current market price is below the intrinsic value, a purchase is recommended, and if vice versa is the case sale is recommended. Although modern security analysis is deeply rooted in the fundamental concepts just outlined, the emphasis has shifted. The more modern approach to common stock analysis emphasizes return and risk estimates rather than mere price and dividend estimates

Security Analysis and Portfolio Management concerns itself with investment in financial assets with specific attention to the returns and risk associated with investing in securities. The subject is aimed at providing insight to the various analytical techniques used in evaluation of the various investment opportunities. The course also provides of extension of these concepts to the portfolio of securities and the concept of diversification, management of a portfolio.

### 2. Statement of the Problem

The investment made in any security involves the element of risk which may be very high or low. But such risk depends upon the nature of the equity shares and the industry which the company belongs to. Therefore before taking any rational investment decision, it is good for the investors to analyse the equity in terms of risk and return that provides a clear idea regarding the risk return characteristics of the equity. This study is undertaken to analyse the equity of selected automobile companies listed in Indian stock market.

### 3. Objectives of the Study

- To compare profitability of selected companies.
- To analyze the financial performance of selected automobile companies in the Indian automobile sector.
- To analyze performance of the indexed securities in automobile sector

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#### 4. Research Methodology

The present study is descriptive study. The analysis is based on Secondary data collected from various organizational databases, websites, newspapers and other necessary official records, books and magazines. Monthly closing prices have been taken for technical analysis purpose from year 2013 to 2018. Statistical measures like standard deviation, simple moving averages, RSI have been used to find out the conclusion. Besides Tables and Charts are used to present and analyze data. The aim of this research is to know the financial performance of the companies and the industry as a whole. Stock market has been the focus of study for many of the researches and this research based on the secondary data would try and find out the trends prevailing in the automobile industries. The companies taken into consideration for the research are Tata motors, Mahindra & Mahindra Ltd, Maruti Suzuki, Bajaj Auto Limited and TVS Motor Company. The data collected for the study is secondary data. These data were

been collected from related websites, text and journals and passed through the statistical processes.

#### 5. Scope of the Study

The study covers for a period of five years from 1/04/2013 to 31/03/2018 of fundamental analysis and one year from 1/04/2017 to 31/03/2018. The study is related to technical analysis to predict the future behavior of the stocks using NSE Bhavcopy. This study is most important because both fundamental and technical analysis helps investors in better understanding the markets and gauges the direction in which their investments might be headed and its utility helps in estimating the future trends of the stock prices and to make a decent profit out of it. The analysis has been done on 5 selected stocks of NIFTY

#### 6. Analysis and Interpretation

##### Consolidated Ratios of Fundamental Analysis

Table showing consolidated ratio

all values except ratios in INR (Crores)

Ratios	Year	Mar-17	Mar-16	Mar-15	Mar-14	Mar-13	Average
	Company						
Book Value	Tatamotors	170.97	237.82	174.73	203.75	117.86	181.02
	M&M Ltd	500.96	482.69	416.09	378.2	324.88	420.56
	Maruti Suzuki	1,227.65	918.83	804.98	711.61	629.89	<b>858.59</b>
	Bajaj Auto Ltd	617.08	450.82	383.43	351.36	278.72	416.28
	Tvs Motor	46.64	30.74	25.92	21.38	18.91	28.71
MB	Tatamotors	2.74	1.63	3.15	1.96	2.28	<b>2.35</b>
	M&M Ltd	2.56	2.52	2.88	2.59	2.62	<b>2.63</b>
	Maruti Suzuki	4.89	4.04	4.6	2.75	2.05	3.66
	Bajaj Auto Ltd	4.57	5.39	5.25	5.93	6.39	5.50
	Tvs Motor	9.27	10.48	10.21	4.54	1.71	7.24
PS	Tatamotors	0.59	0.48	0.67	0.55	0.45	<b>0.54</b>
	M&M Ltd	0.91	0.92	1.04	0.81	0.76	0.88
	Maruti Suzuki	0.91	0.92	1.04	0.81	0.76	0.88
	Bajaj Auto Ltd	3.75	3.1	2.7	2.99	2.57	3.02
	Tvs Motor	1.65	1.33	1.22	0.55	0.2	0.99
EPS	Tatamotors	21.95	32.46	43.45	43.47	31.01	34.46
	M&M Ltd	62.3	54.19	50.52	75.78	66.76	61.91
	Maruti Suzuki	248.71	155.59	126.03	94.44	81.74	<b>141.30</b>
	Bajaj Auto Ltd	140.98	130.77	104.56	116.82	108.26	120.27
	Tvs Motor	10.76	7.77	6.91	3.92	4.16	6.70
P/E	Tatamotors	-	11.98	12.66	9.2	8.68	<b>10.63</b>
	M&M Ltd	20.62	22.4	23.74	12.92	12.77	18.49
	Maruti Suzuki	24.12	23.83	29.39	20.71	15.77	22.76
	Bajaj Auto Ltd	19.99	18.59	19.26	17.83	16.46	18.42
	Tvs Motor	40.17	41.44	38.3	24.76	7.79	30.49
ROE	Tatamotors	12.84%	13.65%	24.87%	21.33%	26.31%	19.80%
	M&M Ltd	12.44%	11.23%	12.14%	20.04%	20.55%	15.28%
	Maruti Suzuki	20.26%	16.93%	15.66%	13.27%	12.98%	15.82%
	Bajaj Auto Ltd	22.85%	29.01%	27.27%	33.25%	38.84%	<b>30.24%</b>
	Tvs Motor	23.07%	25.28%	26.66%	18.34%	21.99%	23.07%
PEG	Tatamotors	-	0.48	-253.2	0.23	-0.32	-63.20
	M&M Ltd	137.47	0.01	0.72	0.05	0.02	27.65
	Maruti Suzuki	40.2	0.01	0.02	1.34	0.38	<b>8.39</b>
	Bajaj Auto Ltd	249.87	0.01	1.93	2.25	5.78	51.96
	Tvs Motor	105.71	0.02	0.02	-4.08	0.15	20.36

Source:<http://www.moneycontrol.com/stock-charts/tatamotors/charts/tm03#tm03>

The above table shows the EPS for Maruti Suzuki is 141.30 which highest during the 5years compared to its competitors. Tatamotors shows a lowest P/E ratio i.e. 10.63. Maruti Suzuki shows the favorable result in PEG ratio which is 8.39. Book Value of Maruti Suzuki shows highest value i.e. 858.59. Tatamotors and M & M Ltd has

the lowest P/B ratio which is 2.35 and 2.63. Price to Sales ratio in Tatamotors is 0.54 which shows a good sign. Return on equity of Bajaj Auto ltd is 30.24% which is the good sign. So, Tatamotors and M&M and Tvs motors are unstable in EPS and ROE, it suggest to sell the shares for the people who has long term delivery. It is concluded that

Maruti Suzuki and Bajaj Auto has the stable value in EPS and ROE.

### Consolidated Ratio of Technical Analysis

Table showing consolidated ratio all values except ratios in INR (Crores)

Contents	Company		Buy	Sell
SMA	Tatamotors	406.91	x	✓
	M&M Ltd	1273.22	x	✓
	Maruti Suzuki	8639.31	✓	x
	Bajaj Auto Ltd	3223.66	✓	x
	Tvs Motor	700.39	x	✓
RSI	Tatamotors	43.19	✓	x
	M&M Ltd	38.66	x	✓
	Maruti Suzuki	53.49	x	✓
	Bajaj Auto Ltd	51.22	✓	x
	Tvs Motor	39.03	✓	x
SD	Tatamotors	51.31	✓	x
	M&M Ltd	210.14	✓	x
	Maruti Suzuki	1772.83	x	✓
	Bajaj Auto Ltd	251.30	✓	x
	Tvs Motor	153.82	x	✓
CV	Tatamotors	11.37	✓	x
	M&M Ltd	16.62	✓	x
	Maruti Suzuki	26.43	x	✓
	Bajaj Auto Ltd	8.72	✓	x
	Tvs Motor	31.04	x	✓

Source: <http://www.moneycontrol.com/stock-charts/tatamotors/charts/tm03#tm03>

The above table shows the SMA for Maruti Suzuki and Bajaj Auto to buy the share of Tatamotor, M&M and Tvs motor company and suggest to sell the share. RSI for Tatamotors, Bajaj Auto and Tvs motor company are stable, so good buy the share and RSI of M&M and Maruti Suzuki, show bad to buy the share. Coefficient of Variation (CV) for Tatamotor, M&M and Bajaj Auto are lesser value when compared to Maruti Suzuki and Tvs motor company, so it's suggest buy the share on Tatamotor, M&M and Bajaj Auto. It is concluded that to sale the share of Tatamotors, M&M, TVs motor company and buy the share of Maruti Suzuki and Bajaj Auto are good to invest.

#### Suggestions

- In fundamental analysis, EPS are higher in Maruti Suzuki and Bajaj Auto Ltd suggests investing for long-term for getting high return.
- ROE of Bajaj Auto Ltd is favorable, it shows good to invest.
- Book value of Maruti Suzuki has the better value, it show buy signal, it suggest to buy the share.
- PEG ratio of Maruti Suzuki are lower compared to others, it show buy signal.
- Price to sales ratio of Tatamotors is lower than the other companies, it suggests to buy the share.
- P/B ratio are good in Tatamotors, M&M, Tvs motor company, Maruti Suzuki and Bajaj Auto Ltd, it shows buy signal.
- Average PE ratio are moderate in M&M, Tvs motor company, Maruti Suzuki and Bajaj Auto Ltd, but it is good in Tatamotors, it suggest to buy the share.
- In technical analysis, Simple moving average shows buy signal for Maruti Suzuki and Bajaj Auto Ltd, when compared to other companies.
- RSI indicates sell signal for Maruti Suzuki and M&M, when compared to other companies.
- Standard Deviation and Coefficient of variation shows buy signal for Bajaj Auto Ltd.
- Finally, in fundamental analysis, EPS are higher in

Maruti Suzuki and Bajaj Auto Ltd suggests investing for long- term for getting high return.

- Then, the Tatamotor, M&M, and Tvs motor company are moderate in nature, so suggest to sell the share, who wants higher return from long term period.

#### Conclusion

As we all know India is one of the fastest growing economies in the world. India is consistently achieving growth in automobile sector. The automotive industry in India is one of the largest in the world with an annual production of 23.96 million vehicles in FY (fiscal year) 2015–16, following a growth of 2.57 per cent over the last year. The automobile industry accounts for 7.1 per cent of the country's gross domestic product (GDP). In fundamental analysis, EPS are higher in Maruti Suzuki and Bajaj Auto Ltd suggests investing for long- term for getting high return. In technical analysis, Simple moving average shows buy signal for Maruti Suzuki and Bajaj Auto Ltd, when compared to other companies. Finally, Risk and Return are the two most important characteristics of any investment. Safety and liquidity are also important for an investor

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