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Original Research Paper

Management

A STUDY ON FUNDAMENTAL ANALYSIS AT MEERA INDUSTRIES

Miren R. Kotadiya B. V. Patel Institute of Management, UTU

Dr. Manisha Surti* Assistant Professor, B. V. Patel Institute of Management, UTU *Corresponding Author

ABSTRACT Every investor is advised to have enough knowledge about the stock market before making any investment decisions. Fundamental analysis is helpful to find-out economic health of a company. The performance can be evaluated by doing Fundamental Analysis of the Company and Financial Statements (Trend) Analysis. primary aim of study is to learning the various factors that can help this Study to evaluation process in order to do fundamental and financial analysis of the Meera Industries with the help of various tools like Ratio analysis and Different Factors that affect the Industries have been used. Fundamental analysis is done in three parts. Economic analysis deals with fundamental factors like GDP, IIP, fiscal deficit, inflation, current account deficit etc. Industry analysis of Indian IT sector is analysed based on entry barriers, type of industry, government interference, Porter's five force model. Finally, Company analysis deals with various ratios such as dividend pay-out ratio, EPS, P/E ratio, Debt-Equity ratio are used.

KEYWORDS :

INTRODUCTION
Fundamental analysis is a evaluating a security by measure by examining related economic, Industrial, company and other qualitative and quantitative factors. Fundamental analysts attempt to study everything that can affect the security's value, including macroeconomic factors (like the overall economy and industry conditions) and individually specific factors. The fundamental analysis is based on study of the forces of the economy, conducted to provide data that used to forecast market developments and future prices. This paper attempt to study the Industry analysis of Meera Industries with compare other four Textile machinery manufacturing companies listed in BSE. Textile machinery manufacturing companies in India has a benefit to the decrease in inflation and increase the GDP rate and also with the help of new tax implementation the Indian growth are going to well.

LITERATURE REVIEW
As per the project five articles were reviewed and summaries of the same are listed below:
Hemal Pandya and Hetal Pandya, (2013) conducted a research to investigate "fundamental analysis of Indian automobile industries" over the period of 2007 to 2011. The objective of this study was to analyse the performance of selected companies of Indian automobile industry, to estimate the intrinsic value of the stocks of the selected companies and to assist the investors in making investment decisions in automobile industry. This study has concluded that automobile industry is at the growth stage and high potential is available for growth in future.

Sugandharaj Kulkarni, (2018) conducted a research to study on "fundamental analysis of ONGC" over the period of 2009-2010. The objective of this study was to study the economic factors which directly or indirectly effect on performance of ONGC and to take an overview of industrial and company aspects of the company. The study has concluded that long term investors generally prefer to invest in companies with robust fundamentals and ignore near-term share price movements.

Silpa K S, Arya Mol J and Dr. A S Ambily, (2017) have conducted a study on "Fundamental Analysis of Selected IT companies Listed at NSE". The main purpose of this study was to study the growth and performance of IT sector, to study on the Fundamental Analysis for five company scrips to recommend for better choice of investment. The study concluded that the Information Technology sector companies are one most promising platform of investment in capital market and in turns give considerable return for the risk taken by investors.

Chetathorn Songmuang, (2013) has conducted on "Can Technical Analysis Beat Fundamental?". The objective of this study is to identify the fair price of stock by analysing the financial information. The study has concluded that the result reveals that technical score has higher mean and their different is significant at 1% level.

Ahmed. S. Wafia, Hassan Hassana and Adel Mabrouk, (2015) has conducted a research on "Fundamental Analysis Models like DCFM and DDM in Financial Markets". The objective of this study is an attempt to reach a better stock valuation model of the Fundamental Analysis Approach. This research concludes that Distributions Discounted Models (DDM) proved more useful than the Discounted Cash Flow Models (DCFM) in developed financial markets.

RESEARCH METHODOLOGY
The present study is based on the secondary data sources which includes the annual report of Meera Industries for the year 2013-2014 to 2017-18 for interpret the ratios of the company and Books on portfolio management and financial management. The objective of this study is to analyse economy by various economic indicator like GDP, Inflation rate, Interest rate etc. for the selected period, to find out the growth of machinery manufacturing industry in India and to analyse the performance of Meera Industries limited, Textile Machinery Manufacturing Company through balance sheet and ratio analysis. Fundamental analysis is depending on the premise that every share has a certain intrinsic value at a period of time. This intrinsic value changes from time to time as a internal and external factors. Fundamental analysis includes: 1. Economic analysis 2. Industry analysis 3. Company analysis. Economic analysis deals with fundamental factors like GDP, IIP, fiscal deficit, inflation, current account deficit etc. Industry analysis Indian IT sector is analysed based on entry barriers, type of industry, government interference, Porter's five force model. Finally, Company analysis deals with various ratios such as dividend pay-out ratio, EPS, P/E ratio, Debt-Equity ratio are used.

DATA ANALYSIS
1) Economic Analysis
In economic analysis, the present performance of the economy as a whole is identified using economic factors like GNP, GDP, Inflation rate, Interest Rate, Tax Structure and FDI in India. Table 1 depicts the five-year data of economic factors from 2013-14 to 2017-18 which indeed help the investors to take better investment decision.

Table 1: Table showing economic factors
Source: secondary Data

Year	2013-14	2014-15	2015-16	2016-17	2017-18
GNP (USD)	1836.027	2015.375	2079.373	2249.351	2573.874
GDP Rate (%)	6.4	7.4	8.2	7.1	6.6
Inflation Rate (%)	6.2	5.9	4.9	4.5	3.3

Interest Rate (%)	8	7.75	6.75	6.25	6
Tax Structure	33.99	34.61	34.61	34.61	35
FDI (USD in Million)	16,054	24,748	36,068	36,317	44,850

Economic growth can be determined using the GDP of the country. GDP is showing an upward trend during 2013-14 to 2015-16 but after that GDP rate going to downward. As the inflation rate falls down the purchasing power of the economy increases which boast the market performance. Inflation in Indian economy is coming down from 6.2 percent in 2013-14 to 3.3 percent in 2017-18, therefore shows a decreasing trend during last five years.

The interest rate is showing the countries growth. In India the Interest rate is going to down from last five years it shows that the investors can get the money for investing in our country with low interest rate. So, they easily start their business in India. In 2013-14 the Interest rate in India is 8 which Decrease in 2017-18 and going to the 6%.

As per the tax structure of India it continuously changes from last five years. But at the year 2017-18 after the implementation of GST the growth of India was increased. Because of the foreign tax structure implement in India the country is growth as the foreign developed country. It shows that India is accept the foreign rules and regulations for develop. Now in India there are GST and SGST. In this the tax for all products are different.

FDI takes place when an investor establishes foreign business operations or acquires foreign business assets, including establishing ownership or controlling interest in a foreign company. As per the data, India is growing in FDI. From last five years India is Increased his foreign direct investment. In 2013-14 the FDI of India is 16,054 million USD which is increased in 2017-18 and going to 44,850 million USD.

INDUSTRY ANALYSIS: -

The textile machinery manufacturing section is one of the largest manufacturing industries in India. This industry is very old and has component manufacturing units and above the 1000 machinery. Some units produce complete machinery and the remaining produces various textile machinery components like Fabric and Clothes. The total investment in this industry is above 2000 Crores.

The machinery manufacturing takes place both in the organised and the unorganised sectors like machinery manufacturing and clothing manufacturing industry. In the organised sector, in addition to the public or private limited companies, machinery manufacturing is done in independent units, It also have collaborative joint ventures with the foreign entities.

Porter's five force models consist of five major indicators to analyse an industry i.e. existing competition, availability of substitutes, threat of new entrants, bargaining power of suppliers and bargaining power of customers.

1) The threat of new entrants: - New entrants in Machine Tools & Accessories brings innovation, new ways of doing things and put pressure on Meera Industries. through reducing costs, providing new value propositions, and lower pricing strategy to the customers. Meera Industries has to manage all these challenges and build effective barriers to safeguard its competitive edge.

2) The bargaining power of buyers/customers: - Buyers are often a demanding lot. They want to buy the best offers available by paying the minimum price to the sellers. This put pressure on Meera Industries profitability in the long run. The smaller and more powerful the customer base is of Meera Industries the higher the bargaining power of the customers and higher their ability to seek increasing discounts and offers.

3) The threat of substitute products: - When a new product or service meets a similar customer needs in different ways, industry profitability suffers. For example, services like Google Drive and Dropbox are substitute to online storage hardware drives. The threat of a substitute product or service is high if it offers a high value product that is uniquely different from present product of the industry.

4) The amount of bargaining power suppliers: - All most all the companies in the Machine Tools & Accessories industry buy their raw material from numerous suppliers. Suppliers in dominant position can decrease the margins Meera Industries can earn in the market. The Powerful suppliers in Industrial sector use their power to extract higher prices in firm's Machine Tools & Accessories field. The overall impact of higher supplier bargaining power is that it lowers the profitability of Machine Tools & Accessories.

5) The amount of rivalry among competitors: - If the rivalry among the existing players in an industry is intense then it will drive down prices and decrease the overall profitability of the industry. Meera Industries operates in a very competitive Machine Tools & Accessories industry. Because of the competition the industries can higher their product quality and provide the customer's low-cost product.

S.W.O.T. Analysis of industry

Table 2: Table showing S.W.O.T. Analysis of Industries Peer Group Comparison: -

Strength: - 1. Have Skilled workers. 2. low volume production in Economic. 3. Technical base in Different fields. 4. Availability like basic raw materials. 5. In industry level, Wide range of products 6. Rising of technical entrepreneurs. 7. capabilities of Component manufacturing, 8. visible and Strong industry association (IMTMA), supportive Central Govt.,	**Weakness: -** 1. Weak in technological innovation/R&D and Technology gaps. 2. Lack of focus and vision on core competencies. 3. Low volume. 4. Different duty structures. 5. Liberal policy – tilt towards imports, 6. Insignificant export. 7. FDI – oriented towards domestic markets based on technical /service centre, assembly.
Opportunity: - 1. India present one of most growing market 2. 'Product Development Centre' for technology generation and National Manufacturing Policy on the anvil 3. PSUs to be promoted for import substitution 4. Acquisition of Technology firms abroad, Strategic alliances/ Joint Ventures 5. Low cost and wide manufacturing base 6. Government sensitivity regarding strategic nature of the industry	**Threats: -** 1. Competition from international players manufacturing/supplying in India. 2. Emerging of new machine tool manufacturing industries in other countries– China, the Province of Taiwan, and the Republic of Korea. 3. Non-tariff barriers/ adverse FTAs 4. High cost of distribution (in export markets). 5. 'Direct' marketing by foreign Industries in India through their own selling set ups.

Table 3: Table shows Peer Group Comparison

Name	Last price	Market Cap (Rs.cr)	Sales Turnover	Net profit	Total Assets
Meera Industries	220	86.41	21.12	2.61	9.32
Chandni Textiles	37.90	61.16	49.04	1.42	15.16
Laxmi machine	5467.15	5840.56	2558.9	211.42	1401.83
India Cart	100	45.51	60.28	-17.81	88.67
stovec	2500	522	217.83	25.6	105.46

Meera Industries Company Profile: -

Table 4: Table shows Company Profile

Industry	Meera Industries LTD.
Chairman & Managing Director	Mr. Dharmesh Desai.
ISIN	INE343X01018
BSE	540519

S.W.O.T. Analysis of Meera Industries

Table 5: table shows SWOT analysis of company

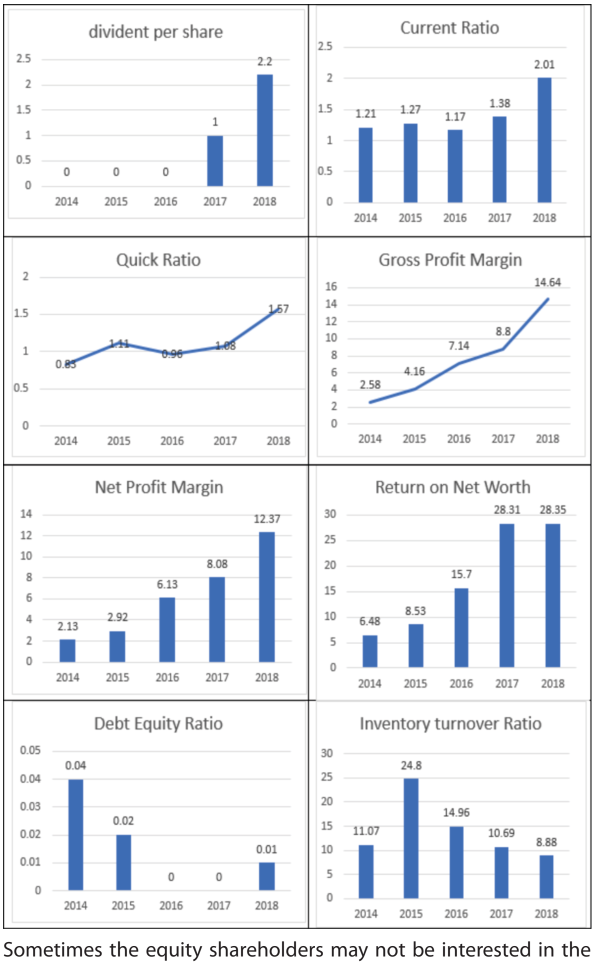
STRENGTH: -	WEAKNESS: -
• Availability of different types of product. • Best manufacturing system • Team communication. • Marketing expertise and goodwill. • Adequate attention to employee training development.	• Technology is less improved compared to china. • Need to focus more on advertising and amongst Indian cities. • Textile engineering skills • There are no institutes for training new workers.
OPPORTUNITY: -	**THREATS:**
• International market factory. • Increase number of stores in India as well as global penetration. • Sponsorship and tie up with brand events to increase brand visibility. • There is a provision of more FDI & investment opportunities.	• Competing with other progressing country like China. • Recession. • Product lead time • China posing threat to the Indian textile industry. • The manufacturers and the artisans need to continuously update. • Striking a balance between demand and supply.

Ratio Analysis: -

Table 6: Table shows different ratio of the company

(Rs in Cr.)	Mar'18	Mar'17	Mar'16	Mar'15	Mar'14
PER SHARE RATIOS					
Adjusted EPS (Rs.)	6.65	3.73	4.51	2.07	1.44
Adjusted Cash EPS (Rs.)	7.41	4.63	7.13	4.87	2.87
Reported EPS (Rs.)	6.65	3.73	4.46	2.07	1.44
Reported cash EPS (Rs.)	7.41	4.63	7.08	4.87	2.87
Dividend Per Share	2.20	1.00	0.00	0.00	0.00
Operating Profit Per Share (Rs.)	8.63	4.96	7.81	5.75	317
Book Value Per Share (Rs.)	23.47	13.19	28.72	24.26	22.19
Net Operating Income Per Share EPS (Rs.)	53.77	46.20	72.66	70.77	67.28
Free Reserves Per Share (Rs.)	0.00	0.00	0.00	0.00	0.00
PROFITABILITY RATIOS					
Operating Margin (%)	16.04	10.73	10.75	8.12	4.71
Gross Profit Margin	14.64	8.80	7.14	4.16	2.58
Net Profit Margin	12.37	8.08	6.13	2.92	2.13
Adjusted Cash Margin (%)	13.49	9.76	9.66	6.74	4.23
Adjusted Return on Net Worth (%)	28.35	28.31	15.70	8.53	6.48
Reported Return on Net Worth (%)	28.35	28.31	15.53	8.53	6.48
Return On long Term Funds (%)	37.67	39.77	22.01	17.73	9.81
LEVERAGE RATIOS					
Total Debt / Equity	0.01	0.00	0.00	0.02	0.04
Owners fund as % of total Source	98.10	100	99.71	97.23	95.86
Fixed Assets Turnover Ratio	3.21	3.79	2.70	2.94	2.98
LIQUIDITY RATIOS					
Current Ratio	2.01	1.38	1.17	1.27	1.21
Quick Ratio	1.57	1.08	0.96	1.11	0.83
Fixed Assets Turnover Ratio	3.21	3.79	2.70	2.94	2.98
Inventory Turnover Ratio	8.88	10.69	14.96	24.80	11.07
PAYOUT RATIOS					
Dividend Pay-out Ratio	29.70	29.81	0.00	0.00	0.00
Earning Retention Ratio	66.95	93.07	100.00	100.00	100.00
Cash Earnings Retention Ratio	70.31	70.19	100.00	100.00	100.00

Table 6: table shows the Charts of Five years ratio



Sometimes the equity shareholders may not be interested in the EPS but the return which they are actually receiving from the firm in the form of dividend the amount of profit distributed to shareholders per share is known as Dividends per share and it is calculated by dividing total profits distributed by number of equity share. Dividends per share over the years have increased which indicates that the amount of dividend distributed towards the shareholder has increased.

Current ratio shows the firm's ability to pay its current liability out of its current assets. Generally, a current ratio of 2:1 is considered to be satisfactory. The firm's current ratio has increased which shows that current assets is enough to pay of its liability.

This ratio establishes the relationship between quick current assets and current liabilities. Quick current assets exclude inventory and prepaid expenses from current assets as they are potentially illiquid. Quick ratio of the firm is of the firm is less than the ideal and it is increasing over the years which means that the firm have enough quick assets to pay off its current liability.

Gross Profit ratio is also called the average mark-up ratio. After 2014 Gross Profit ratio had drastically Increase which means operating efficiency of the firm has Increase with next year.

The Net Profit ratio establishes the relationship between the net profit of the firm and the net sales. The net profit has increased from 8.08% to 12.37% which means overall profitability of the firm has Increasing.

The Debt Equity Ratio helps in assessing whether a company is relying more on debt or capital for financing its assets. Higher the debt more is the financial risk of default in interest and debt service. Company's ratio is not stable.

The firm inventory turnover ratio has reduced which shows that there is firm can easily convert its inventory into cash and can deployed into income generating assets to further strengthen the financial position.

This ratio analysis helps to know the current situation of the Meera Industries. This Analysis shows that this Industries are Fundamentally good performing in the Market.

Findings: -

In this project report there are many facts which say whether an investor should invest in Meera Industries LTD. or not. For the conclusion on this part, we have analysed economic, industry as well as company (Meera Industries LTD.).

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In the Economic analysis Study found that economic is on depression stage or we can say its slowdown current position shows that this is not right time to invest as GDP growth rate is declining as well as inflation is high.

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From the analysis of textile machinery manufacture industry, Study found that this industry is one of the growing industries of India which has a high growth potential. Textile machinery manufacture industry has also attracted a huge FDI, and hence easy finance is available. In India there is a huge potential demand for the textile machinery market. Taxation structure also provides the good opportunity for export or domestic sales.

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In the analysis of Meera Industries LTD. Study found that EPS is increasing year by year. And dividend is also increasing so investor can invest in the company but on other side company's intrinsic value is less than the current price it shows that the share price is overvalued and investor should sell the share. But if investor want to invest in the company for long term than he can have a good profit because company growing rapidly in terms of profit and net sales and its EPS & DPS are increasing over the years.

CONCLUSION: -

Fundamental analysis is based on the analysis of the economic, industry as well as the company and in this research, we can see that the economic indicators have an effect on the Textile Manufacturer industry growth and assets. The above report says that our economic is growing but slowly after the recession and it is the good time for the one who want to invest. From the analysis of Textile Manufacturer industry, we can say that Textile Manufacturer industry is one of the growing industries of India which has a high growth potential. Textile Manufacturer industry has also attracted a huge FDI, and hence easy finance is available. In India there is a huge potential demand for the car market. Taxation structure also provides the good opportunity for export or domestic sales. Increase in infrastructure facility also creates favourable opportunity for Textile Manufacturer industry in India.

But according to financial analysis of Meera industries its performance in the industry is good and expected to grow further in the near future which is a good sign for investment. dividend is increasing yearly and it's on the top in terms of profit and net interest income if we compared it with the other companies in the same industry but we can't ignore the intrinsic value of the company which is lower than the current value which shows then investor should sell the share of the company if he/she is investing for short term and for long term it is good for investor to invest in the company.

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