

**A STUDY ON THE INFLUENCE OF SELECT COMPANY FUNDAMENTALS
OVER THE MARKET PRICE OF SHARES WITH SPECIAL REFERENCE TO
NIFTY CAPITAL GOODS INDUSTRY.**

By

S.D.SAKTHIKUMAR

Roll no: 0701MBA0159

Reg.no: 68107101523

A PROJECT REPORT

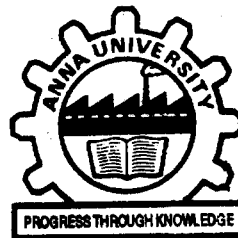
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ABSTRACT

The share market has become an essential market playing a vital role in economic prosperity that fostering capital formation and sustaining economic growth. Share markets are essential for economic growth as they insure the flow of resources to the most productive investment opportunities.

Share prices change in the share markets on a daily basis. Small investors find difficult to find out a good company for their investments because they have no resources for fundamental and technical analysis which are easily available for Domestic and Foreign Institutional Investors. Usually a company's fundamental factors reflecting the performance of the company in will have a great influence on its share price movements.

The select fundamental variables like Net Worth, Net Fixed Assets, Debt to Equity Ratio, PAT/Sales, Return on Equity, PAT/Total income, BV per Share is taken for the study to find out the most intrinsic variable which influences the share price movement so that the small investors will benefit with minimum resources.

The secondary data was collected and analysed using statistical tools like correlation to find out the most positively correlated variable which influence the share price the most.

In the end of the study it is found that the fundamental variables are favourably responsible for the share price movement. And also the variables Return on Equity, PAT/Sales, Net Worth are mostly positively correlated with the share price movement and one variable Debt to Equity Ratio is negatively correlated with the share price movement.



Students Signature

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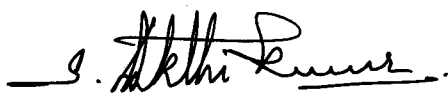
I sincerely thank My Parents who gave the needed encouragement and support in accomplishing this effort.

With deep reverence to the Almighty Goddess, I dedicate to HER this humble endeavor of mine.


S.D. SAKTHI KUMAR

BONAFIDE CERTIFICATE

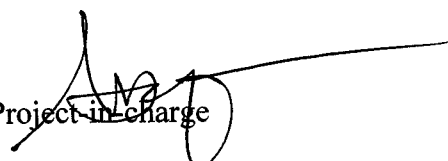
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Signature of Student

Name : S.D.SAKTHIKUMAR
Roll No : 0701MBA0159
Reg.No : 68107101523


Signature of Guide

Name : Mr.A.SENATHIL KUMAR
Designation: LECTURER
Address : Kumaraguru College of Technology
Coimbatore


Signature of Project in charge

Name : Dr.S.V.DEVANATHAN


Designation: Professor & Director

DIRECTOR
KCT BUSINESS SCHOOL
KUMARAGURU COLLEGE OF TECHNOLOGY
COIMBATORE - 641 006


Certificate of Viva-voce-Examination

This is to certify that Thiru **S.D.SAKTHI KUMAR** (Roll No : 0701MBA0159, Register No. 68107101523) has been subjected to Viva-voce-Examination on **10.5.2009** at at the Study centre **KUMARAGURU COLLEGE OF TECHNOLOGY, COIMBATORE.**

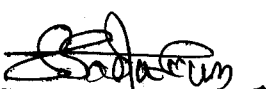
Internal Examiner


 Name : **Mr.A.SENTHIL KUMAR**
 Designation: Lecturer
 Address : Department of Management Studies
 Kumaraguru College of Technology
 Coimbatore

External Examiner


 Name: **Dr. V. NEDUNCHEZHIAN.**
 Designation: **PROF & HEAD, DEPT OF MBA,**
 Address: **KARPAGAM COLLEGE OF ENGS,**
COIMBATORE.

Coordinator


Study centre
 Name : **Dr.S.SADASIVAM**
 Designation: Dean (Academic)
 Address : Kumaraguru College of Technology
 Coimbatore

Date: **10.5.2009.**

**CO-ORDINATOR,
 KCT STUDY CENTRE.
 CDE ANNA UNIVERSITY 'CHENNAI'
 KUMARAGURU COLLEGE OF TECHNOLOGY,
 COIMBATORE 641 006.**

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CHAPTER -1 INTRODUCTION

1. INTRODUCTION

The development of a strong and vibrant engineering and capital goods sector has been at the core of the industrial strategy in India since the planning process was initiated in 1951. The emphasis that this sector received was primarily influenced by the erstwhile Soviet Union model, which had made impressive progress by rapid state-led industrialization through the development of the core engineering and capital goods sector.

The 'Mahalanobis Model', which was a 'supply oriented' model with a basic emphasis on increasing the rate of capital accumulation and saving, gave the engineering and capital goods sector a central place. Superimposed over this were the other objectives of balanced regional development, prevention of the concentration of economic power and the development of small-scale industries.

One of the primary objectives was import substitution, which was pursued as a priority. Owing to these historical factors, today India has a strong engineering and capital goods base. The Indian capital goods sector is characterized by a large width of products (almost all major capital goods are domestically manufactured) – a legacy of the import substitution policy. Even nations with advanced capital goods sectors do not produce the entire range of capital goods, but instead focus on segments, or sub segments. The range of machinery produced in India includes heavy electrical machinery, textile machinery, machine tools, earthmoving and construction equipment including mining equipment, road construction equipment, material handling equipment, oil & gas equipment, sugar machinery, food processing and packaging machinery, railway equipment, metallurgical equipment, cement machinery, rubber machinery, process plants & equipment, paper & pulp machinery, printing machinery, dairy machinery, industrial refrigeration, industrial furnaces etc. However, the raw materials used are largely domestic in origin and in many instances; the quality of domestic raw materials is not up to the international standards in terms of dimensional tolerances and metallurgical properties, which in turn affects the quality of the final product.

1.1 BACK GROUND OF THE STUDY

India is growing in a faster growth rate than any other developed country in the world. The Indian Company's contribution to this growth is enormous. The investors like Institutional investors (FII's, DII's, MF's) and small investors like common people are searching for a good opportunity to invest in the shares of the company which are contributing and growing at par with the economical growth of the country. For a successful investment the investors used two types of analysis called Fundamental analysis and Technical analysis. Fundamental analysis is about analyzing a company's strength in management, Finance, Operation, future growth and then decides rationally about the investment in that company. Technical analysis is about the study of Human emotional effect on the movement of the share price in the market.

Institutional investors with lot of data's can easily do Fundamental analysis and take their investment decisions. But the average investor does little or no research and makes his buy & sells decision on rumor or on tips given by the so-called technical analysts. This is because the average investor is unclear on how to analyse the companies and not equipped to arrive at an investment decision. So fundamental analysis is not for speculators. It is for those who are prepared to study and analyze a company & for those who arrive at a decision after careful thought and deliberation. In long run fundamental analysis can only help the investors to spot out the gems among the companies for investment.

1.2 COMPANY PROFILE

ASEA BROWN BOVERI (ABB)

The history of ABB goes back to the late nineteenth century, and is a long and illustrious record of innovation and technological leadership in many industries. The company was incorporated on 24th December 1949 at Mumbai as Hindustan Electric Company Limited. ABB operations in India include 14 manufacturing facilities (all are ISO 14001 certified units). Customers of the company are served through extensive countrywide presence with around 30 marketing offices, 8 service centers, 3 logistics warehouses and a network of over 750 channel partners. The ABB Group is increasingly leveraging the Indian operations for projects, products, services, engineering and R&D. Also, as part of ABB's new regional approach, India has been designated as the hub for the South Asia region. The main objective of the company is to

manufacture transformers, electric motors, all-aluminum conductors, furnaces, extra H.T., air blast circuit breakers, panels and switchboards. All those products are produced through its six plants situated at Bangalore, Faridabad, Haridwar, Mumbai, Nashik and Vadodara. The business of the company is segmented into five, Power Products, Power Systems, Automation Products, Process Automation and Robotics.

In 1965, the Company's name was changed to Hindustan Brown Boveri Limited (HBB). Due to amalgamation of Asea Limited with HBB in 1989, the name was further changed to Asea Brown Boveri Limited (ABB). In 1994 the Company offered to take a majority stake in a BIFR registered boiler manufacturing company in India that would enable the company to provide full range of equipment and turnkey services for building power plants in the country. The Company made an entry into low voltage switchgear business. ABB Zurich and Benz established a joint venture company namely 'ABB Daimler-Benz Transportation AG' (AD Tranz) in Germany. Flakt India Limited was amalgamated with ABB on 1995 and the company was awarded the engineering procurement construction (EPC) job for the integrated steel project.

A subsidiary of AD Tranz was incorporated in India viz. ABB Daimler-Benz Transportation Limited which took over the Transportation Business of the company effective from 1st January 1996 and in the same year GVK's 235-MW Jegurupadu CCPP, for which ABB Asea Brown Boveri was the turnkey EPC contractor, became the first fast track power project to go into stream. In the year 1997, Transmission and Distribution segment was introduced new products like 72.5 KV switchgears for the U.S. market and indigenous static relays and also the ABB group has developed many innovative technologies such as SF6 technology for circuit breakers, Advant open control system (for process industries) and direct torque control technology (for variable speed drives). ABB's power generation business was globally transferred into the new 50-50 JV with Alstom in 1999. In India the power generation business has been demerged and transferred to ABB Alstom Power India Ltd on April 1999. In April 2001 the company merged its four subsidiaries, ABB instrumentation, ABB Analytical, ABB Lenzohm Service and Introl (India) with itself. The company had set up a research and development base in India for develop the products cater the domestic and global market in the same year. The Automation Technology Products-Division has commissioned 70 KA rectifier unit for HINDALCO and this division has launched e-Service and a full featured e-Commerce

website for its products. ABB has been awarded its single largest export order to date, valued at Rs.1680million by Public Establishment of Electricity for Generation and Transmission (PEEGT) and has divested its air-handling equipment unit in India to Flakt India in the year 2003. ABB India got Asia money award for 2003.

In 2004, the company introduced new range of wiring accessories including switches, regulators and sockets to the Indian market. The company has made major expansions in its installed capacity of Motors and Other Machines, Switchgear of all types, Turbochargers, Transformers, Electronic Control and Supply Units for Variable Speed Drives and Other applications Power Capacitors of all types and ABB has divested its Control Valves Business to Kent Introl Pvt Ltd on 12 July, 2004, with a gain of Rs.38 Million. Also the company added several new products under Power Technologies and Automation Technologies divisions. ABB has won the first major equipment order for 765 kV extra-high voltage (EHV) transformers and shunt reactors from the National Thermal Power Corporation (NTPC) and Power Grid Corporation of India Ltd (PGCIL) in 2005. Business Standard has rated ABB as the STAR MNC 2005. The company has established a technology center in Nashik for medium voltage power technologies cater to the fast developing power distribution sector. The main focus of this center covered the development of outdoor MV products (1 to 40kV) for the global market and localization of indoor medium voltage products for Asian markets. ABB inks MoU with IIT Delhi in the year of 2006.

In 2007, ABB India won Rs 186 crore order for integrated power distribution management system. The company has won a Rupees 933 million (93.3 crore) order from KHD Humboldt Wedag GmbH, Germany, to provide a turnkey electrics and automation solution for a 5000 TPD (tonnes per day) capacity green-field cement plant at Katrana in Jordan and in the same month of the same year the company has been awarded a turnkey contract valued at Rupees 186 crores (1860 MINR) by Karnataka Power Transmission Corporation Limited (KPTCL) to implement an integrated Network Manager SCADA/ EMS/DMS (Supervisory Control and Data Acquisition, Energy Management System, Distribution Management System) solution. The scope of the project includes design, engineering, supply, installation, testing & commissioning. In February of the year 2007, ABB India has been awarded orders worth Rupees 311 crores to provide Grasim Industries' Cement division and Ultratech Cement, part of the Aditya Birla

Group, power and automation products and systems for their cement capacity expansions. ABB India provide turnkey electrical and automation systems including the installation of 220 / 132 kV switchyards and supply of a range of switchgear, motors, low and medium voltage drives, power and distribution transformers, capacitors as well as intelligent LV panels. As on February 2008, ABB in India has been awarded orders worth around Rupees 330 crores to provide turnkey substation solutions and a range of power products to Powergrid Corporation of India Ltd. (PGCIL) as part of their efforts to strengthen the transmission grid across the country.

Industrial pickup and the significant work that still remains to be done with reference to the power sector, continue to offer bright prospects for power and automation technologies in India, ABB is well positioned to leverage these market opportunities and the advanced products and technologies in power and automation that constitute its Industrial IT offering.

BHARAT HEAVY ELECTRICALS LIMITED

BHEL, is the largest engineering and manufacturing enterprise of its kind in India and it was incorporated in the year of 1964. It is one of the leading international companies in the field of power equipment manufacture and engaged in power generation, transmission, industry (transportation, renewable energy etc) and Overseas Business. BHEL is a ISO 9000, ISO 9001-2000, ISO 14001 and also OHSAS-18001 certified public sector corporate situated in New Delhi. BHEL has over the years established its references in 68 countries of the world spanning across all the six-inhabited continents. In 1991-92, it has divested a part of its equity shares to public and financial institutions. At present the government of India holds 67.72% in the total equity capital of the company. In India alone BHEL have 14 manufacturing units, four power sector regional offices, eight service centers and 15 business offices for manufactures over 180 products under 30 major product groups and enable to provide high level of quality & reliability of its products at prompt time. The company's major clients are State Electricity Boards, NTPC, World Bank aided projects, the Railways and a host of private companies in domestic, in case of overseas company's products are exported mainly to the middle-east and the far-east countries. BHEL has two joint venture companies, BHEL-GE Gas Turbine services Ltd with GE,USA for repair & servicing of GE designed Gas Turbines and Power Plant Performance Improvement Ltd with Siemens AG, Germany for plant Performance improvement of old fossil fuel power plants.

BHEL received MOU Award for Excellence in Performance for 2004-05. BHEL has won International Asia Pacific Quality Award (IAPQA 2005) from the International Asia Pacific Quality Organisation (APQO) through its Ranipet Unit. It is the first engineering & Manufacturing organization as well as the first PSU in the country to received this award. During the year 2005-06 BHEL got FICCI Award for environmental conservation and pollution control, ICWAI National Award for Excellence in Cost Management-2005. In 2006-07 the company conferred again the same ICWAI National Award for Excellence in Cost Management-2006. BHEL qualified for the Business Standard Star Public Sector Company Award-2006 and also the CII Exim Award, BHEL is the first public sector company received the CII Exim award.

The company opened a new line of business in the form of Gas Insulated Substations (GIS) in April 2007. The Corporate R&D department of BHEL has successfully developed an indigenous GIS. It has also bagged the first letter of intent from the Andhra Pradesh Transmission Corporation (APTransco), for installing the first unit in the State. As on May 2007 BHEL signed a memorandum of understanding with Toshiba of Japan for know-how in higher horsepower locomotives, it may help the company to shift from the production locomotives capacity 6,000 hp to 10,000-hp range. In August of the same year Uttar Pradesh government and BHEL came to an agreement for setting a 1,600 Mw thermal power project at Obra. The deal covered 50 per cent equity participation by the BHEL and the rest by state government of UP. DVC has already awarded turnkey contracts for setting up Koderma and Durgapur Steel thermal power stations of 1000 mw each to BHEL. In 2007 Sept. 10th NTPC Ltd, the country's largest power generator and equipment major BHEL, have signed a memorandum of understanding to form a joint venture company to carry out engineering, procurement and construction (EPC) activities in the power sector on 'mutually beneficial terms.'

The company completed Phase I of its latest modernisation drive in December 2007, with an investment of Rs 190 crore, to take its manufacturing capacity to 10,000 MW from 6,000 MW a year. Phase II in 2008 would add about 1.25 million sq ft of shop floor and associated office space, spread over about 130 acres in the 3,000-acre of BHEL campus. On-site fabrication work is under way to erect additional shop floors and 75 different types of machines would be install, after this expansion the company's manufacturing capacity would go up to 15,000 MW equivalent of power plant equipment a year and may to be in a position to supply over 75,000

MW equivalent of plant equipment over a five-year period. From April 2008, BHEL's projects can be monitored online, the implementation of a new Web-based project monitoring system covered this and it would enable to get a real-time status on project schedules. BHEL is firmly establishing itself in target export markets, positioning of BHEL as a regular EPC contractor in the global market and exploring various opportunities for setting up overseas joint ventures etc. The company was focused on addition of facilities for various products in manufacturing units and for construction of tools and equipment for erection and commissioning services at project sites.

LARSEN & TOUBRO LIMITED

The birth of Larsen & Toubro was happened in the year of 1946 as a private ltd company. Earlier it was a partnership firm founded by Mr. Henning Holk Larsen with Mr. Soren Kristian Toubro. L & T turned on to a public limited company in the year of 1950. Company focused in the areas of Engineering & Construction, Electrical & Electronics, Machinery & Industrial Products and in IT & Technological Services.

L & T came across in Shipping and Cement industry also. During the year 1981-82 company acquired 2 bulk shipping carriers from Japan and in the year 1983-84 started one cement plant with capacity of 1 MTPA at Maharashtra. In the year 1997 a joint venture company was formed with Deere Pvt Ltd to manufacture agricultural tractors namely L&T-John Deere Pvt Ltd. In April 1st 2003 company transferred its Cement business to Ultra Tech Cement company. L & T received a host of awards, medals and trophies for its continuous efforts. Environmental Excellence Gold award from Greentech Foundation in 2003-04 and 2004-05. Engineering Export Promotion Council (EEPC) offered a trophy for high exports. During the financial year of 2004-05 Business world's survey on India's Most Respected Companies, ranked L & T the First in Infrastructure Sector. The Ministry of Power conferred the first prize in National Energy Conservation for the year 2005.

In July 2005 the company approved the divestment of its stake in L&T-John Deere Pvt Ltd. In August 2005 the company has entered into a Memorandum of Understanding with Data Switchgear Ltd (DSL) to merge the company with L&T. As on October 2005 Company has totally exited from the packaging business by sale of its Glass Containers Business to ACE

Glass. In the year 2006 company amalgamated two of its own folds, the L&T Power Investments Pvt Ltd (LTPL) amalgamated with India Infrastructure Developers Ltd (IIDL).

A Wall Street Journal survey featured L & T among Asia's 'Most Admired Companies' and ranked the company No.1 for quality of products and for overall reputation during the year 2006-07. In April 2007 L&T and its associate Audco India Ltd (AIL) invested Rs 35 crore in the Coimbatore (TN) switchboard and valve unit and plans to investment Rs 60 crore over the coming few years. Larsen & Toubro joining hands with Japan's Toshiba Corporation and Mitsubishi Heavy Industries for setting up manufacturing facilities for super-critical turbines and boilers used in coal-fired power generation plants. The two joint ventures will have an aggregate capital outlay of about Rs 600 crore.

The company is well positioned to exploit the opportunities that will come from hydrocarbon, infrastructure, power, minerals & metals and other industrial sectors. The Public Private Partnership model is going to be the way forwarded for infrastructure projects in the country, L & T has already committed as like that and looking ahead. L & T has commenced shipbuilding at its Hazira Works and also scouting for a suitable site in India to set up a world-class facility for shipbuilding and repair the same. Company also concentrate on the Defence, Nuclear Power and Aerospace sectors which show the potential and promises and L & T plans to expand its presence in the sector of construction and electrification for the railways and L&T investing Rs 2,500 cr for expansion in Shipbuilding, Manpower constraints and others. L&T have super-critical power plants, ranging between 500 MW-1000 MW, the foundation made on March 2008 to add 4000 MW per annum capacity for super-critical boilers and steam turbine generators.

SIEMENS ENGINEERING AND MANUFACTURING COMPANY OF INDIA LIMITED

For 50 and more years, Siemens has been active in India; the company was incorporated in the year 1957 as Siemens Engineering and Manufacturing Company of India Private Limited. Siemens Ltd is the flagship-listed company in India, which was founded by Werner von Siemens. Siemens in India, which comprises of 19 legal entities, is a leading provider of industry and infrastructure solutions with a business volume aggregating about Rs 11,000 crores. Business Segments of the company is categorized into six, such as Energy, Healthcare, Industry,

Information & Communication, Lighting and Transportation. The Energy segment expertise ranges from power plants to turbines, the Healthcare execute complete solutions for hospitals, as also provide 'in- the canal' hearing aids, the Industry sector, the company build airports, as well as produce contactors, in Information & Communication the company deals with the thread that connects all businesses of the company, the Lighting segment illuminate large stadiums and also manufacture small light bulbs and in Transportation segment, deliver complete high-speed trains, right down to safety relays. The company operates in over 190 countries, which serves to enhance the standing.

After the incorporation, On March of the same year, the company entered into a collaboration agreement with two foreign companies, viz., Siemens & Halske AG and Siemens Schuckertwerke AG of West Germany. During the year 1966, the name of the Siemens & Halske AG was changed to Siemens AG and at the same time, it took over the manufacturing and business activities of Siemens-Schuckertwerke AG and Siemens-Reiniger-Werke AG. The name of the company was changed in the year 1967 from Siemens Engineering & Manufacturing Company of India Ltd to Siemens India Ltd. In 1970, Siemens-Reiniger-Werke AG and Siemens-Schuckertwerke AG were merged with Siemens AG. A new company under the name of Siemens Communication Systems Pvt Ltd was incorporated in the year 1985 as a subsidiary of the company to undertake the manufacture of certain items of Telecommunication equipment for export purposes. In 1987, a software centre was established at the head office in Mumbai to cater to the software package requirements of the control and automation systems and also to tap the export market. During the year 1990, the company undertook a project to set up a plant at Waluj in Aurangabad district of Maharashtra for the manufacture of switchgears and miniature circuit breakers.

The name of Siemens Communication Systems Pvt Ltd was changed to Siemens Information Systems Ltd. In order to meet-stringent control requirements of chemical and petro-chemical industries, the company introduced State-of-the-art advanced process control system at Nashik in the year of 1993. The company signed a MOU with M/s. Asia Chip Card, Singapore and Semiconductor Corp Ltd in the year 1994 to enter into the smart card business. During the year 1996, the company suffered by loss due to discontinuous of the operations of the Telecommunications division. In 1997, the company proposed to transfer its Industrial electronic

equipment manufacturing facility at Nashik to another 100% subsidiary company and Automotive Systems Division at Nashik to Siemens Automotive Systems Pvt Ltd.

Siemens Public Communications a 70:30 joint venture company between Siemens Germany and Siemens Ltd India were formed. Siemens Telecom Ltd, a joint venture between Siemens and Bharti Telecom formally launched its Euroset and Emerald series of phones at Bangalore in the year 1998. Siemens has set up Unisphere Solutions Inc in the year 1999 to target leadership in the converged voice and data and Internet networking solutions. Siemens launched 'total hotel solutions' in the year 2000 for the hospitality industry to cater to the growing needs of the corporate travelers and the company launched its new line of information and communication solutions - Hicom 150 E Office and ESL8i - targeted at small and medium enterprises. During the year 2001, Siemens Information Systems Ltd, a wholly owned subsidiary of Siemens Ltd signed a partnership contract with Avraham Goldratt Institute of USA (AGI). The company introduced different models of mobile phones, which cover various features in each. In 2003, Siemens Mobile Acceleration, a subsidiary of Siemens Information and Communication Mobile Group has tied up with Contests2win India (c2w). The company bags order worth Rs 4830 million from the Ministry of Railways. During the year 2004, the Bosch inks pact with Siemens to roll out refrigerators and also the company made a strategic alliance with Aethra Telecomunicazioni, Italy to offer a range of video and audio conferencing solutions in India. In 2005, Siemens credited in its account worth of over Rs 2500 million through contracts. In 2006, the company had alliance with Huawei-3Com to offer high performance networks to Indian enterprises. Siemens Ltd in 2007 has acquired a 77% of stake in iMetrex Technologies Ltd. Based in Chennai; iMetrex is a leading provider of products and solutions in the areas of electronic security, safety and building automation systems.

As on September 2007, Siemens Ltd. has acquired the balance 26% stake in Siemens Industrial Turbomachinery Services Pvt. Ltd. (SITS) from Pimac Engineers Pvt. Ltd. With signing of the closing agreement, Siemens has also completed the acquisition of SITS, which is now a 100% subsidiary of Siemens Ltd

As on January 2008, The Government of Maharashtra and Siemens signed a Letter of Understanding to support company's expansion plans in the State and in the same month of the same year Siemens released its 3000th Wind Electric Generator manufactured for Vestas RRB at

the Siemens Kalwa factory. Till date, Siemens has manufactured over 6,000 generators, out of which 2,999 have been supplied to Vestas RRB alone. In April of the year, Siemens has taken over Morgan Construction Co., the rolling mill specialist based in Worcester, Massachusetts, USA. As on May 2008, Siemens Medical Solutions recently installed Asia's first high definition positron emission tomography (HD PET). This high-end equipment is installed at Piramal Diagnostics (formerly Wellspring), Mumbai and in same month of the year, the company plans to install Magnetom Essenza, a 1.5 Tesla magnetic resonance imaging system (MRI) at Aatmajyoti MRI Center, Surat also the city's first hi-end, affordable MRI.

Siemens commissioned India's first 765 kV substation for the SIPAT project power transmission system as an order from the Power Grid Corporation of India Ltd and also The Qatar General Electricity and Water Corporation (Kahramaa) awarded Siemens a key project in Power Transmission and Distribution Group (PTD) the largest ever PTD contract worldwide for EUR 700 million for the development of Power Transmission Network in Qatar.

1.3 NEED FOR THE PROJECT

The art of successful investment lies in the choice of those industries that are most likely to grow in the future and then in identifying the most promising companies in these industries. So the need arises to find out the influence of company fundamental variables over the share price. Stock market index is a mirror of the country's economical growth. In India national stock exchange's index is nifty. It comprises of 50 companies which represents different sectors which contributes the nation's growth. Among these sectors, capital goods sector is taken for the study because the capital goods sector contributes more for the infrastructure growth of the country which is essential for the economy to grow.

1.4 OBJECTIVES AND SCOPE OF THE PROJECT:

The company fundamentals generally determine the intrinsic value of equity shares. The investors in the market use the intrinsic value as a gauge for assessing the return on investment. The intrinsic value is expected to reflect in the market price of the equity share. The objective is to identify the extent of such influence of the company fundamental variables over the market price.

The study broadly aims at examining various fundamental variables of a company and to identify the prominent intrinsic value defining variables that drives the market price of the equity shares with the available secondary data and techniques.

1.5 PERIOD OF THE STUDY

The period of the study has been taken-up from the financial year March 2001 to March 2007 (7 Years), a sufficient time to study the behavior of the company fundamentals with its market price.

CHAPTER 2 - REVIEW OF LITERATURE

REVIEW OF LITERATURE

In the recent past, studies were made out by the researchers are noted below.

Shri Prakash and A. Ramasubramanian (2006)¹ in their Modeling of Share Price Movements in NSE : An Empirical Study of Selected Cases find out that the Efficient Market Hypothesis (EMH) and Random Walk Theory (RWT) have frequently been used in research for analyzing stock market prices though these concepts are applied to perfect market and is not observable in real life situations. This study hypothesizes that big boom or big crash on a single day occurs occasionally; it may generally be caused by some occasional factor(s). In some cases, historically repeating / cyclical factors may not be explainable. Such exceptions apart, the share prices generally move systematically in a narrow band in the short run, which may be explainable and predictable. The empirical results highlight the fact that these models can explain and predict the share price movements of at least seven out of eight companies of different industries carrying a weight of more than one third in the NSE index-S&P-CNX-Nifty over a period of seven years.

Dr.N.R.V. Ramana Reddy and M. Rajesh² in The Relationship between EVA, MVA and Dividend Paid -An Empirical Study defended that The traditional measures such as Earnings per Share (EPS), P / E ratio, Return on Capital Employed (ROCE) take into account only the loan interest as cost of capital, even though a company had a reasonable mix of debt and equity in the capital structure. EVA overcomes this limitation of accounting based measures of financial performance. Economic Value added (EVA) is a single value – based measure that is intended to evaluate business strategies. Capital projects and to maximize long – term share holder's wealth. It sets managerial performance target and links it to reward systems.

Unlike simple traditional budgeting. EVA focuses on ends and not means as it does not state how a manager can increase a company's value as long as the shareholders' wealth is maximized. This allows managers to have discretion and free range creativity, avoiding any potential dysfunctional short – term behavior. Reward such as bonuses from the attainment of EVA target level are usually paid fully at the end of three years as the workers' performance is

monitored and will only be rewarded when this target is maintained consistently, hence, leading to long – term shareholders wealth.

Som Sankar Sen and Santanu Kr.Ghosh³ in *The Association between Market Liquidity at the Scrip Level and Accounting Variables: The Indian Evidence* find that the security prices are effected by information disclosure suggesting the importance of information disclosure for investors and capital market analysts. There lies the importance of accounting information.

Dr.S.Sampath and Senthil Kumar (2006)⁴ in *Correlation Based Clustering of Stocks Traded in NSE* studied that the Financial market is regarded as a complex system. The macroscopic patterns in finance, such as exchange rate, stock prices etc, are made up by the collective behavior of companies and individuals. The characteristic of a financial market lies in the huge amount of data collected making the system well defined which allows detailed statistical analysis of the system. Similarities between traditional science subjects and financial markets make techniques originally constructed for traditional subjects applicable to the field of theoretical finance.

Professor.Ionnis Lazarisis and Dimitrios Tryfonidis,(2006)⁵ in their paper *Relationship Between working capital management and profitability of listed companies in the Athens stock exchange* investigate the relationship of corporate profitability and working capital management. They used a sample of 131 companies listed in the Athens Stock Exchange (ASE) for the period of 2001-2004. The purpose of that paper is to establish a relationship that is statistically significant between profitability, the cash conversion cycles and its components for listed firms in the ASE. The results of the research showed that there is statistical significance between profitability, measured through gross operating profit, and the cash conversion cycle. Moreover managers can create profits for their companies by handling correctly the cash conversion cycle and keeping each different component (accounts receivables, accounts payables, inventory) to an optimum level.

Dr.Tarek Ibrahim Eldomiaty and Dr.Chong Ju Choi, (2006)⁶ in their paper *Do Informativeness of Co-Integrated Financial Fundamental Contribute to Share holder value in a transitional Market? Evidence from Egypt.* examines the informativeness of fundamental

financial information to three levels of market-to-book (MB) ratio; high MB firms, medium MB firms, and low MB forms. In general, the results indicate that the financial ratios (as co-integrated financial information) are relatively quite informative to the three shareholder value classes. This is considered as merit of this study since it is the first study in a transitional market that addresses how to support shareholder value, which is one of the fundamental targets of the investment in financial information. The results regarding the fundamental analysis indicate that (a) in the low MB firms, the investors are concerned with the long-term horizon, (b) in the medium MB firms, the operating and total expenses are regarded as a capital investment. (c) in the high MB firms, the trend is to finance operations using equity rather than debt financing, (d) profitability affects low MB firms only rather than high and medium firms, (e) in the high and medium MB firms, investors do not regard the elements related to firm's operations. (f) in the low MB firms, investors are concerned with the effect of capital structure although the results show that dividends have a reverse effect on firm's market value.

CHAPTER 3 - METHODOLOGY

3.1 TYPE OF PROJECT

“A Study on the influence of select company fundamentals over the market price of shares with special reference to nifty capital goods industry” is an analytical study. This study is to identify the intrinsic value of defining variables that drives the market price of equity shares through the secondary data collected from annual financial statements of the selected company.

3.2 ASSUMPTIONS, CONSTRAINTS AND LIMITATIONS

The study has been taken up from the financial year 2001 – 2007 (7- years). The yearly performance of the company is taken for the study period. The closing prices for 7 years of 4 select companies were taken. The selected companies taken for the study are:

1. ABB
2. BHEL
3. L & T
4. Siemens Ltd.,

Taking into consideration the objectives of the study and the coverage in terms of both time span and the number of companies, the study is prone to many limitations. Some of the major unavoidable limitations of the present work are as follows:

- Financial information collected for the present study is entirely secondary in nature. In such a case, the study carries all the limitations inherent with the secondary data and financial information.
- While computing the data for the purpose of analysis, the approximation of decimal places leads to minor variations in ratio's and percentage analysis, which are bound to exist in the present study.
- The study has been undertaken only through the analysis of quantitative financial data. The qualitative aspects of the profitability could not be incorporated. Thus the qualitative aspects of profitability have not been taken into consideration in the present study.
- Various accounting and statistical tools extensively used for the present study have their own limitations.

- Thus the findings of the present study should be used judiciously and carefully taking into account the various limitations.

3.3 SAMPLING METHODS

Probabilistic judgmental sampling method is used to select the 4 companies for the study from the population of nifty 50 as on 1.1.2000.

Sample Frame – Heavy Engineering and Infrastructure Development

Sample Unit – Capital Goods Industries

The Fundamental variables of a company taken for the study are:

- Net Worth
- Net Fixed Assets
- Debt to Equity Ratio
- Pat/Sales
- Return on Equity
- Pat/Total Income
- Book Value Per Share

3.4 TOOLS FOR ANALYSIS

To suit the objectives of the study, the following tools and techniques were applied for the study.

1. Ratio Analysis
2. Correlation

CHAPTER 4 - DATA ANALYSIS AND INTERPRETATION

4.1 NATIONAL STOCK EXCHANGE

The National Stock Exchange of India Limited has genesis in the report of the High Powered Study Group on Establishment of New Stock Exchanges, which recommended promotion of a National Stock Exchange by financial institutions (FIs) to provide access to investors from all across the country on an equal footing. Based on the recommendations, NSE was promoted by leading Financial Institutions at the behest of the Government of India and was incorporated in November 1992 as a tax-paying company unlike other stock exchanges in the country.

On its recognition as a stock exchange under the Securities Contracts (Regulation) Act, 1956 in April 1993, NSE commenced operations in the Wholesale Debt Market (WDM) segment in June 1994. The Capital Market (Equities) segment commenced operations in November 1994 and operations in Derivatives segment commenced in June 2000.

NSE plays an important role in helping Indian companies access equity capital, by providing a liquid and well-regulated market. NSE has about 1319 companies listed representing the length, breadth and diversity of the Indian economy which includes from hi-tech to heavy industry, software, refinery, public sector units, infrastructure, and financial services. Listing on NSE raises a company's profile among investors in India and abroad. Trade data is distributed worldwide through various news-vending agencies. More importantly, each and every NSE listed company is required to satisfy stringent financial, public distribution and management requirements. High listing standards foster investor confidence and also bring credibility into the markets.

TABLE NO-1

CONSTITUENTS LIST OF S&P CNX NIFTY				
S.No	Company Name	Industry	Symbol	ISIN Code
1	ABB Ltd.	ELECTRICAL EQUIPMENT	ABB	INE117A01022
2	ACC Ltd.	CEMENT AND CEMENT PRODUCTS	ACC	INE012A01025
3	Ambuja Cements Ltd.	CEMENT AND CEMENT PRODUCTS	AMBUJACEM	INE079A01024
4	Axis Bank Ltd.	BANKS	AXISBANK	INE238A01026
5	Bharat Heavy Electricals Ltd.	ELECTRICAL EQUIPMENT	BHEL	INE257A01018
6	Bharat Petroleum Corporation Ltd.	REFINERIES	BPCL	INE029A01011
7	Bharti Airtel Ltd.	TELECOMMUNICATION - SERVICES	BHARTIARTL	INE397D01016
8	Cairn India Ltd.	OIL EXPLORATION/PRODUCTION	CAIRN	INE910H01017
9	Cipla Ltd.	PHARMACEUTICALS	CIPLA	INE059A01026
10	DLF Ltd.	CONSTRUCTION	DLF	INE271C01023
11	GAIL (India) Ltd.	GAS	GAIL	INE129A01019
12	Grasim Industries Ltd.	CEMENT AND CEMENT PRODUCTS	GRASIM	INE047A01013
13	HCL Technologies Ltd.	COMPUTERS - SOFTWARE	HCLTECH	INE860A01027
14	HDFC Bank Ltd.	BANKS	HDFCBANK	INE040A01018
15	Hero Honda Motors Ltd.	AUTOMOBILES - 2 AND 3 WHEELERS	HEROHONDA	INE158A01026
16	Hindalco Industries Ltd.	ALUMINIUM	HINDALCO	INE038A01020
17	Hindustan Unilever Ltd.	DIVERSIFIED	HINDUNILVR	INE030A01027
18	Housing Development Finance Corporation Ltd.	FINANCE - HOUSING	HDFC	INE001A01028

19	I T C Ltd.	CIGARETTES	ITC	INE154A01025
20	ICICI Bank Ltd.	BANKS	ICICIBANK	INE090A01013
21	Idea Cellular Ltd.	TELECOMMUNICATION - SERVICES	IDEA	INE669E01016
22	Infosys Technologies Ltd.	COMPUTERS - SOFTWARE	INFOSYSTCH	INE009A01021
23	Larsen & Toubro Ltd.	ENGINEERING	LT	INE018A01030
24	Mahindra & Mahindra Ltd.	AUTOMOBILES - 4 WHEELERS	M&M	INE101A01018
25	Maruti Suzuki India Ltd.	AUTOMOBILES - 4 WHEELERS	MARUTI	INE585B01010
26	NTPC Ltd.	POWER	NTPC	INE733E01010
27	National Aluminium Co. Ltd.	ALUMINIUM	NATIONALUM	INE139A01026
28	Oil & Natural Gas Corporation Ltd.	OIL EXPLORATION/PRODUCTION	ONGC	INE213A01011
29	Power Grid Corporation of India Ltd.	POWER	POWERGRID	INE752E01010
30	Punjab National Bank	BANKS	PNB	INE160A01014
31	Ranbaxy Laboratories Ltd.	PHARMACEUTICALS	RANBAXY	INE015A01028
32	Reliance Capital Ltd.	FINANCE	RELCAPITAL	INE013A01015
33	Reliance Communications Ltd.	TELECOMMUNICATION - SERVICES	RCOM	INE330H01018
34	Reliance Industries Ltd.	REFINERIES	RELIANCE	INE002A01018
35	Reliance Infrastructure Ltd.	POWER	RELINFRA	INE036A01016
36	Reliance Petroleum Ltd.	REFINERIES	RPL	INE475H01011
37	Reliance Power Ltd.	POWER	RPOWER	INE614G01033
38	Siemens Ltd.	ELECTRICAL EQUIPMENT	SIEMENS	INE003A01024
39	State Bank of India	BANKS	SBIN	INE062A01012
40	Steel Authority of India Ltd.	STEEL AND STEEL PRODUCTS	SAIL	INE114A01011
41	Sterlite Industries Ltd.	METALS	STER	INE268A01031

42	Sun Pharmaceutical Industries Ltd.	PHARMACEUTICALS	SUNPHARMA	INE044A01028
43	Suzlon Energy Ltd.	ELECTRICAL EQUIPMENT	SUZLON	INE040H01021
44	Tata Communications Ltd.	TELECOMMUNICATION - SERVICES	TATACOMM	INE151A01013
45	Tata Consultancy Services Ltd.	COMPUTERS - SOFTWARE	TCS	INE467B01029
46	Tata Motors Ltd.	AUTOMOBILES - 4 WHEELERS	TATAMOTORS	INE155A01014
47	Tata Power Co. Ltd.	POWER	TATAPOWER	INE245A01013
48	Tata Steel Ltd.	STEEL AND STEEL PRODUCTS	TATASTEEL	INE081A01012
49	Unitech Ltd.	CONSTRUCTION	UNITECH	INE694A01020
50	Wipro Ltd.	COMPUTERS - SOFTWARE	WIPRO	INE075A01022

4.2 DEFINITIONS

CAPITAL GOODS:

Capital Goods has been defined for the purpose of this study as any "product/ equipment of high value, durable (economic asset life 3 years), used as plant and machinery for agricultural, industrial and commercial (transportation etc.) purpose in production/ service delivery process". We have adopted "use-based" classification to segment Capital Goods. From the list of classified segments, we have short listed five most representative segments based on - market size of the segment and its user industry, and IIP weight age of the segment. The five representative segments identified are as follows:

- Textile Machinery
- Machine Tools
- Electrical and Power Equipment which includes Boilers, Turbines, Diesel Engines, Transformers, Switchgear, Motors and Generators
- Earthmoving and Construction Equipment
- Process Plant Equipment which includes Pressure Vessels, Cooling Towers, Furnaces and Heat Exchangers

NET WORTH:

For a company, total assets minus total liabilities. Net worth is an important determinant of the value of a company, considering it is composed primarily of all the money that has been invested since its inception, as well as the retained earnings for the duration of its operation. Net worth can be used to determine creditworthiness because it gives a snapshot of the company's investment history. also called owner's equity, shareholders' equity, or net assets

DEBT TO EQUITY RATIO:

Debt/equity ratio is equal to long-term debt divided by common shareholders' equity. Typically the data from the prior fiscal year is used in the calculation. Investing in a company with a higher debt/equity ratio may be riskier, especially in times of rising interest rates, due to the additional interest that has to be paid out for the debt. It is important to realize that if the ratio is greater than 1, the majority of assets are financed through debt. If it is smaller than 1, assets are primarily financed through equity.

BOOKVALUE PER SHARE

Book value per share is the amount of the book value of common equity per share of common stock, calculated by dividing the book value of shareholders' equity by the number of shares of stock outstanding. The book value of equity may differ from the market value of equity.

RETURN ON EQUITY

The return on equity ratio measures the rate of return on shareholders' or owners' investments. It assesses the net profit performance against the money the owners have invested in the business. This ratio can be calculated using the following formula:

$$\text{Return on equity} = \text{Operating profit after income tax} / \text{Owner's equity}$$

The rate of return can be compared to what you would have earned had you invested your capital in the share market or in a bank account during the same period. If your business has a high return on assets or uses debt financing extensively, the rate of return is likely to be higher. Also note that for companies the percentage of return on equity may in reality be higher than what you

have calculated, as the operating profit would take into account any salaries paid to yourself or other owner-employees. Your business stock valuation policy, asset valuation policy and treatment of borderline expense/capital items will also have an impact on this ratio.

RETURN ON TOTAL ASSETS

This ratio measures how effectively your business uses its assets to produce more income, or the average rate of return earned by the assets of your business over a set period. This ratio is measured by dividing operating profit after tax by average total assets.

$$\text{Return on total assets} = \text{Operating profit after income tax} / \text{Average total assets}$$

A high return on total assets can be a result of a high profit margin, a rapid turnover of assets, or a combination of both.

PROFIT AFTER TAX TO SALES

This ratio measures the rate of return on sales after paying corporate tax. It assesses the net profit performance against the sales. This ratio can be calculated using the following formula.

$$\text{Profit after Tax To Sales} = \text{Profit After Tax} / \text{Total Sales}$$

PROFIT AFTER TAX TO TOTAL INCOME

This ratio measures the rate of return on total income with respect to profit after paying corporate tax. It assesses the net profit performance against the total income. This ratio can be calculated using the following formula.

$$\text{Profit after Tax To Total Income} = \text{Profit After Tax} / \text{Total Income}$$

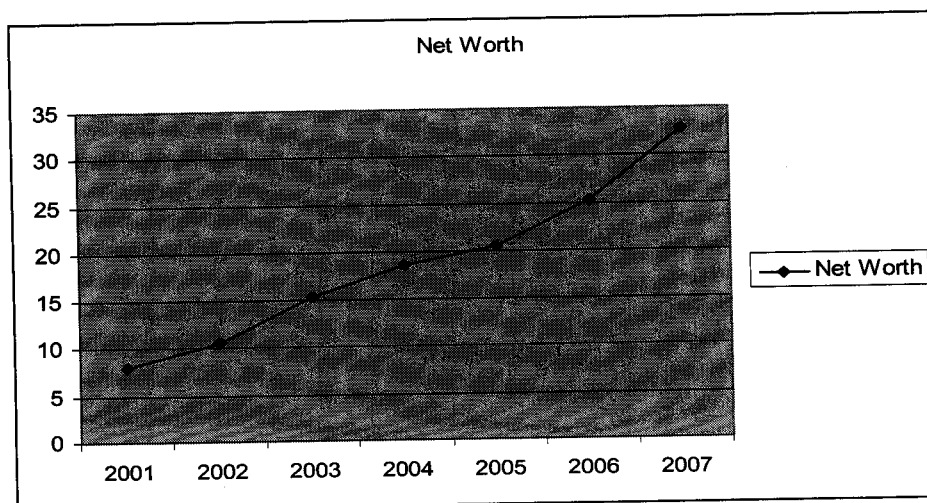
4.3 ANALYSIS AND INTERPRETATION

ASEA BROWN BOVERI (ABB)

TABLE NO-2

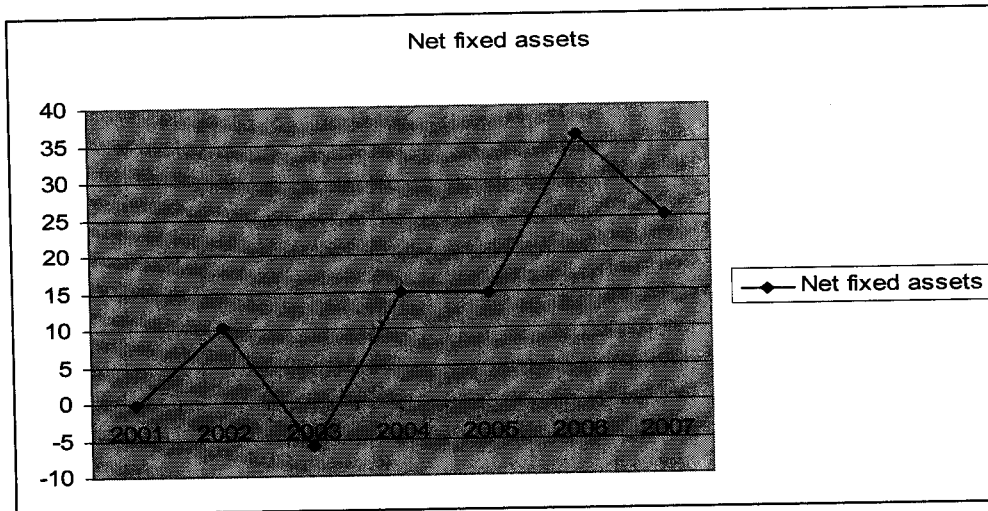
A B B Ltd.	Mar-01	Mar-02	Mar-03	Mar-04	Mar-05	Mar-06	Mar-07
Net Worth	7.94	10.57	15.31	18.59	20.52	25.34	32.84
Net fixed assets	-0.17	10.19	-5.97	14.87	14.68	35.97	25.16
Debt to equity ratio	0.04	0.03	0.02	0.02	0	0	0
PAT/Sales	6.07	5.79	6.65	6.4	6.13	6.81	7.24
Return on equity	14.21	15.64	20.9	22.43	23.57	27.29	32.81
PAT/Total income	6.65	6.18	8.13	7.6	6.18	6.73	7.27
BV per Share	93.98	99.79	119.17	142.86	173.86	221.88	278.67
Closing Price	237.6	265.55	287.9	795.9	1153.3	2926.65	3551

DIAGRAM NO-1

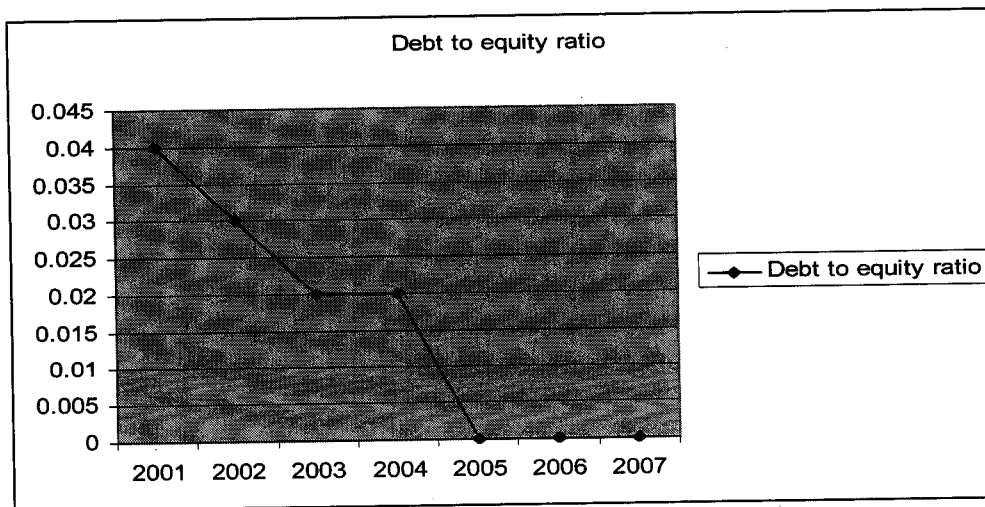


INTERPRETATION

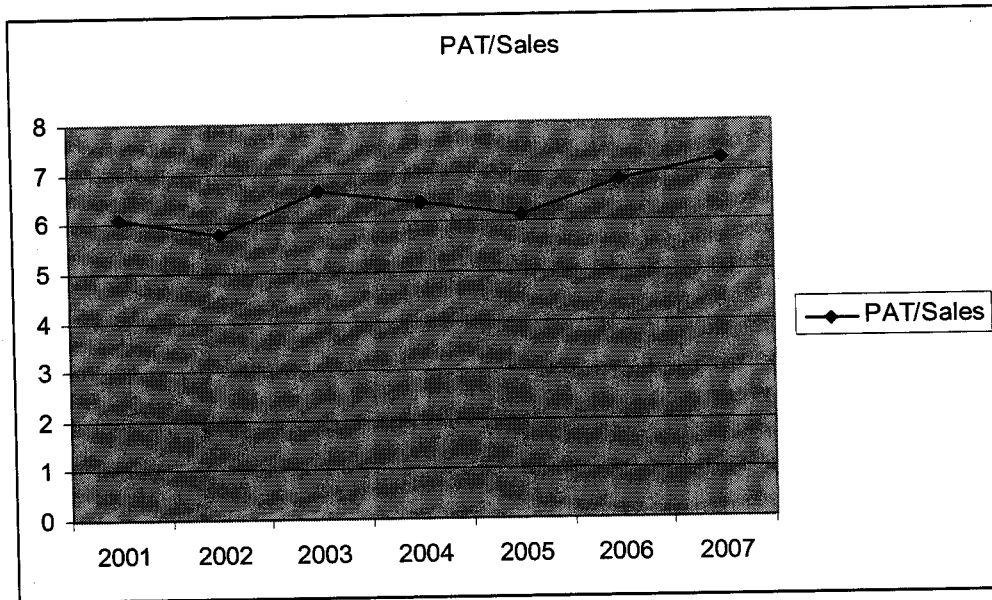
From the above chart it is very clear that ABB has consistent positive growth of its Net Worth through out the study period.

DIAGRAM NO-2**INTERPRETATION**

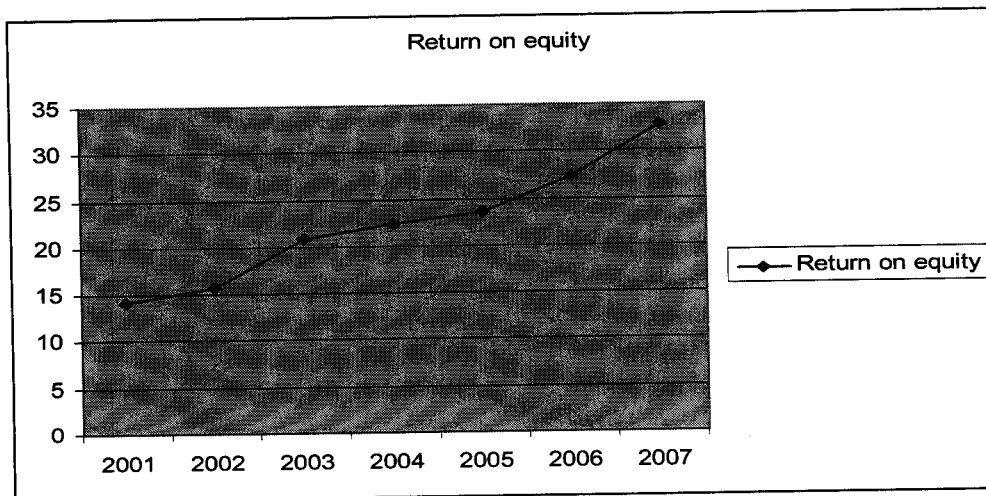
From the above chart in the year 2003 and 2007 the Net fixed Assets value decreased with compare to the previous years. It also shows in the year 2004 and 2005 the value of net fixed assets has only a slight change.

DIAGRAM NO-3**INTERPRETATION**

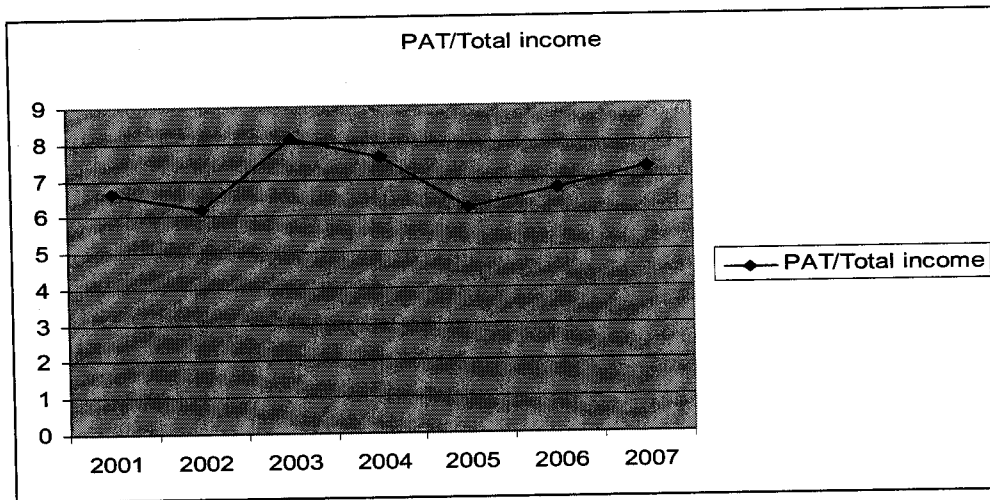
From the chart we can see the steady decrease in the debt to equity ratio from the year 2001 to 2004 and from the year 2005 it has become zero to the end of the study period.

DIAGRAM NO-4**INTERPRETATION**

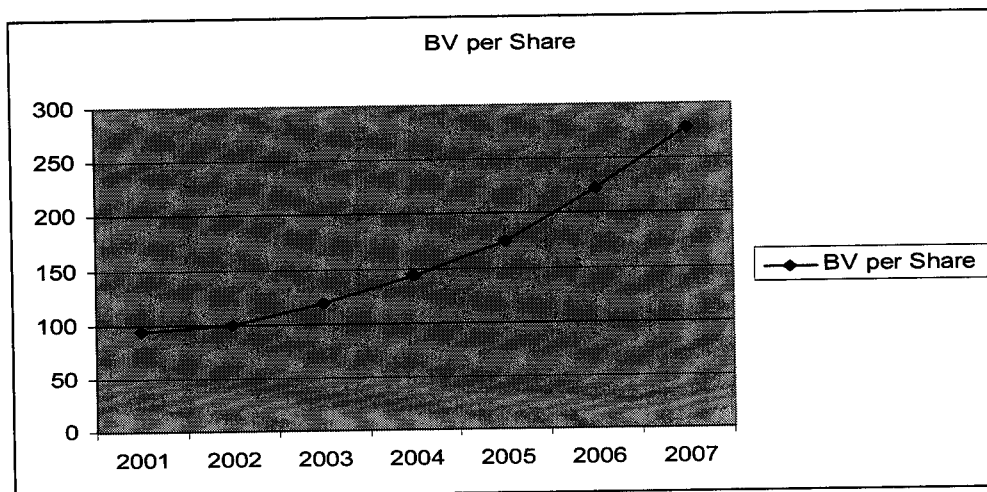
It shows that PAT/sales is a sinusoidal curve with both ups and downs in the range of 6 to 7.

DIAGRAM NO-5**INTERPRETATION**

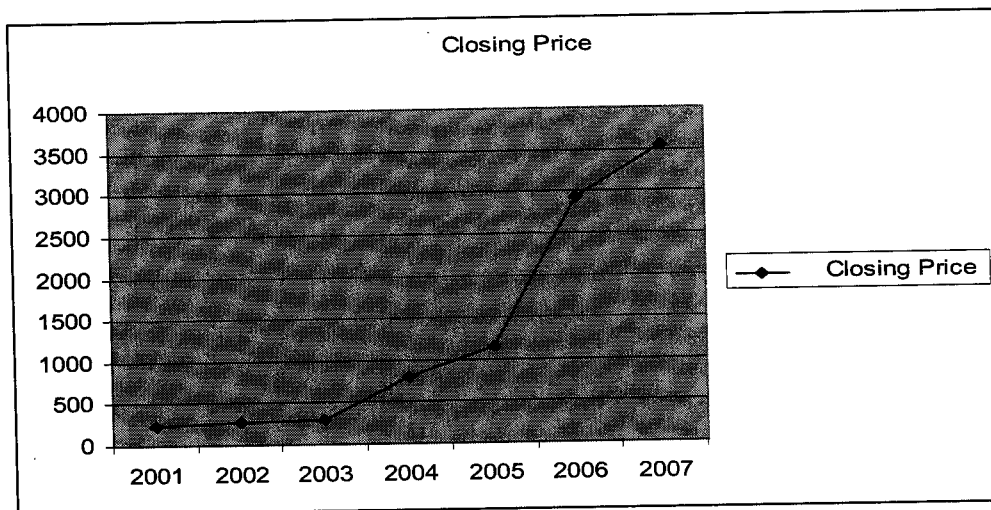
From the above chart it is very clear that ABB has consistent positive growth of its Return on Equity through out the study period.

DIAGRAM NO-6**INTERPRETATION**

It shows that in the year 2003 it has the highest PAT to Total income and started to decline in the years 2004 and 2005 and again there is an upward growth in the year 2006 and 2007.

DIAGRAM NO-7**INTERPRETATION**

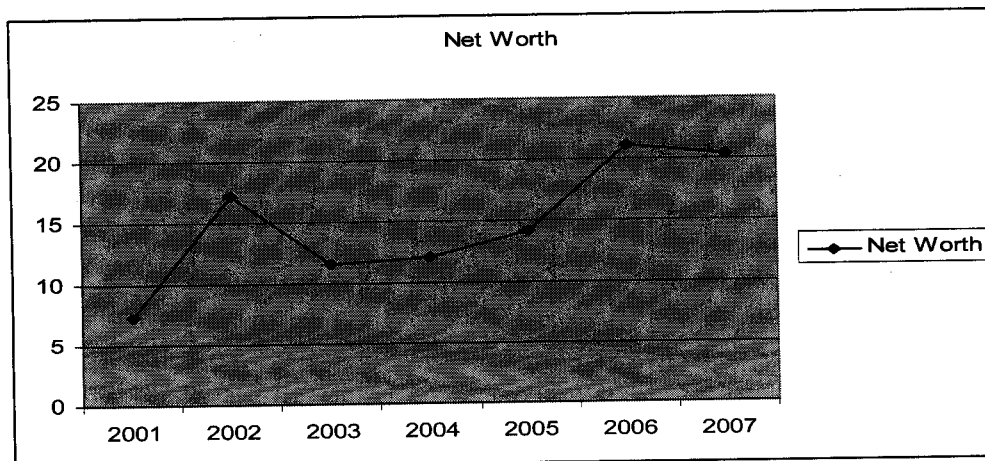
From the above chart it is very clear that ABB has consistent positive growth of its Book Value through out the study period.

DIAGRAM NO-8**INTERPRETATION**

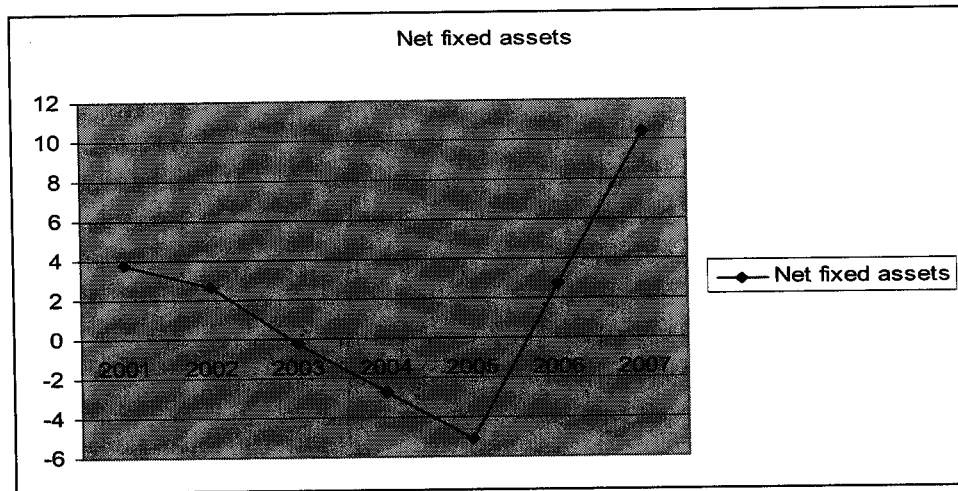
During the study period 2001 to 2003 there is no much variation in the closing price but from 2004 to 2007 it is an upward movement curve.

BHARAT HEAVY ELECTRICALS LIMITED**TABLE NO-3**

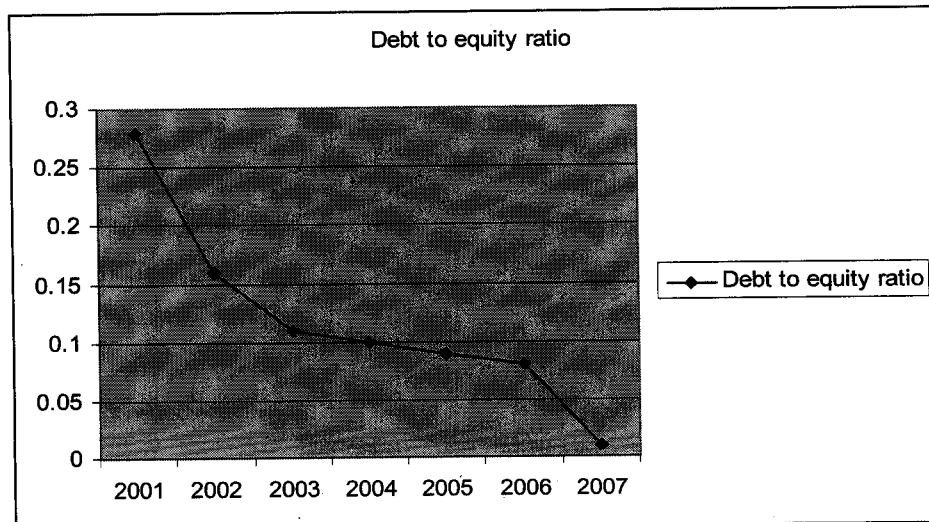
BHEL	Mar-01	Mar-02	Mar-03	Mar-04	Mar-05	Mar-06	Mar-07
Net Worth	7.27	17.17	11.56	12.1	14.19	21.15	20.36
Net fixed assets	3.72	2.63	-0.2	-2.69	-5.1	2.73	10.38
Debt to equity ratio	0.28	0.16	0.11	0.1	0.09	0.08	0.01
PAT/Sales	-7.49	1.77	1.78	1.89	6.03	9.31	10.21
Return on equity	8.58	10.83	8.9	11.91	15.41	23.29	28.87
PAT/Total income	4.08	5.76	5.31	6.78	8.41	10.87	12.02
BV per Share	139.51	160.64	196.26	216.37	246.24	298.31	349.96
Closing Price	142	168.85	223.4	604.5	767.4	2246.95	2260.75

DIAGRAM NO-9**INTERPRETATION**

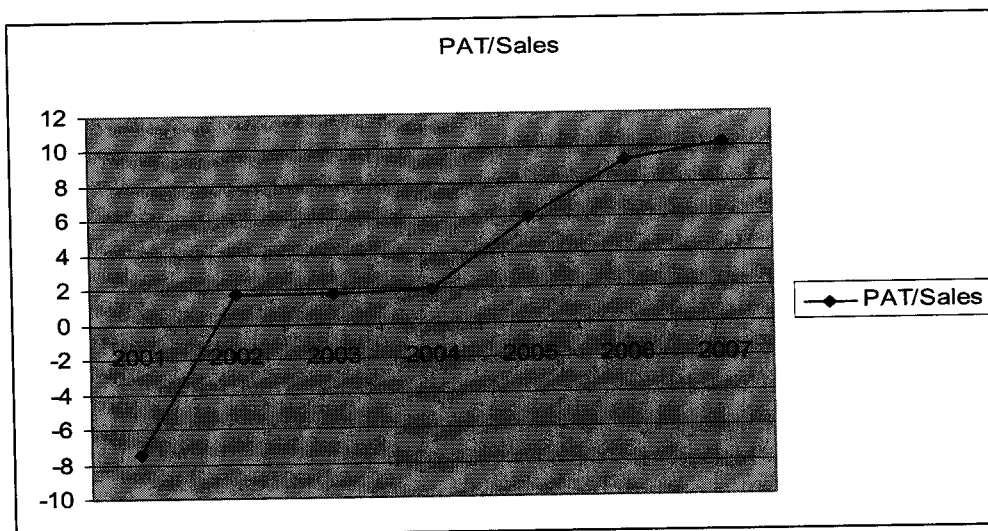
From the above diagram it is very clear that the net worth of BHEL started a decline trend from the year 2002 to 2005 and started increasing in the year 2006 and 2007.

DIAGRAM NO-10**INTERPRETATION**

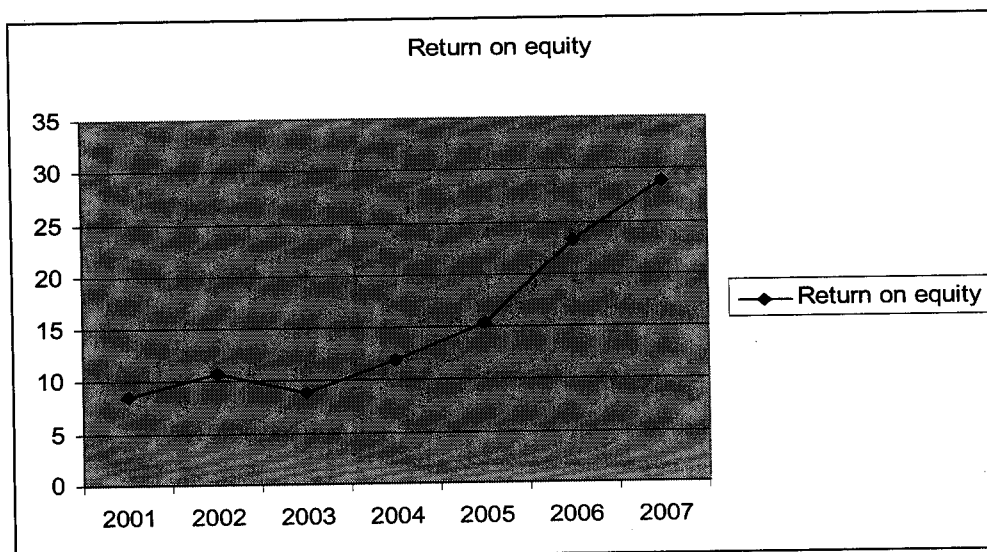
During the period of study the Net fixed Assets starts declining in the earlier period and even a negative growth in 2003 to 2005 and then shows a high positive growth.

DIAGRAM NO-11**INTERPRETATION**

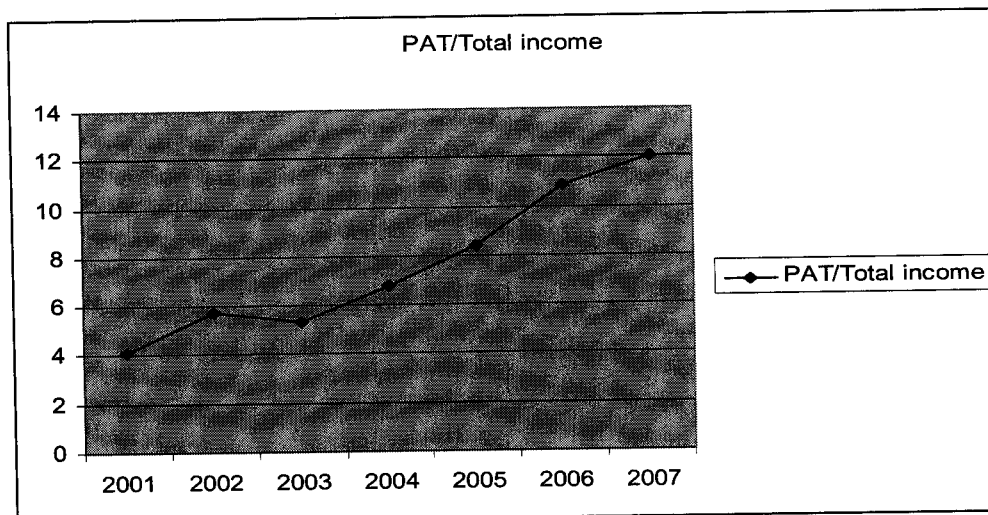
From the above diagram it is very clear BHEL has consistent decline of its Debt to Equity Ratio throughout the study period.

DIAGRAM NO-12**INTERPRETATION**

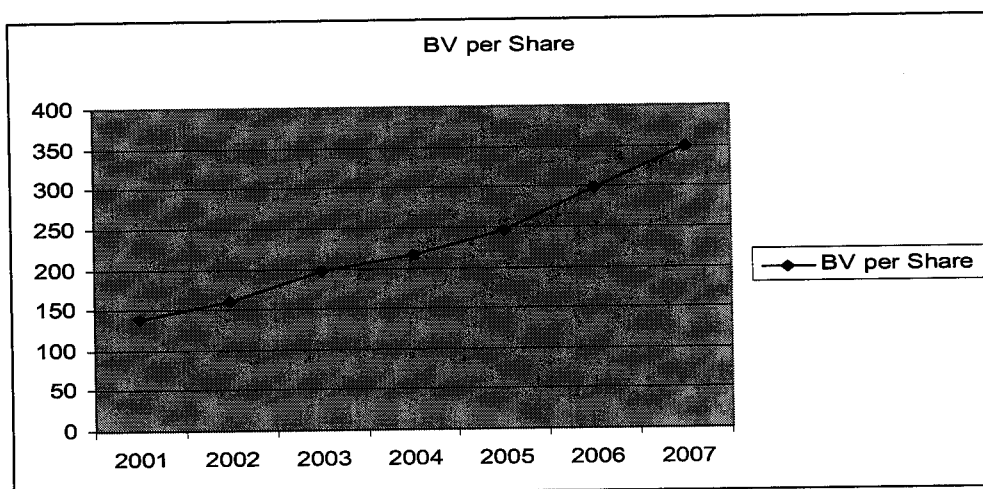
The chart shows a consistent positive growth throughout the study period.

DIAGRAM NO-13**INTERPRETATION**

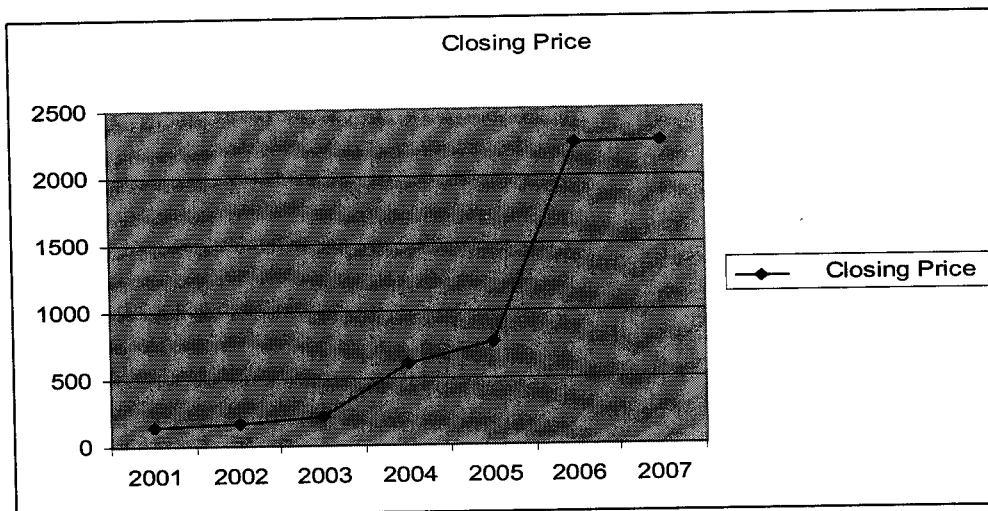
The chart shows a consistent positive growth throughout the study period.

DIAGRAM NO-14**INTERPRETATION**

The chart shows a consistent positive growth throughout the study period.

DIAGRAM NO-15**INTERPRETATION**

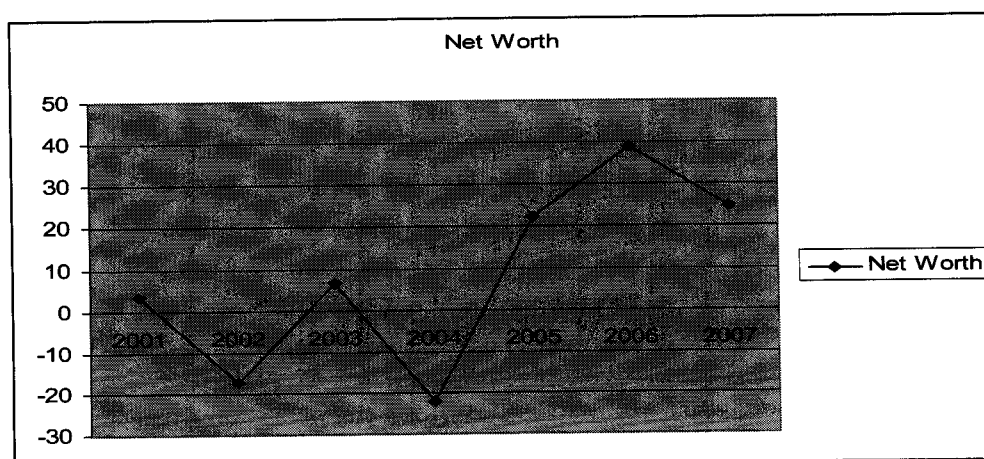
The chart shows a consistent positive growth throughout the study period.

DIAGRAM NO-16**INTERPRETATION**

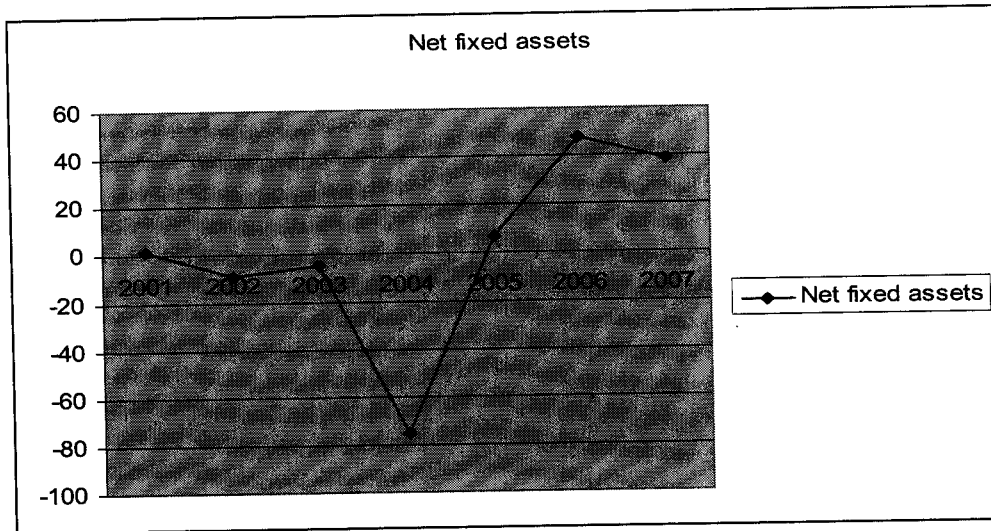
During the study period 2001 to 2003 there is no much variation in the closing price but from 2003 to 2007 it is an upward movement curve.

LARSEN & TOUBRO LIMITED**TABLE NO-4**

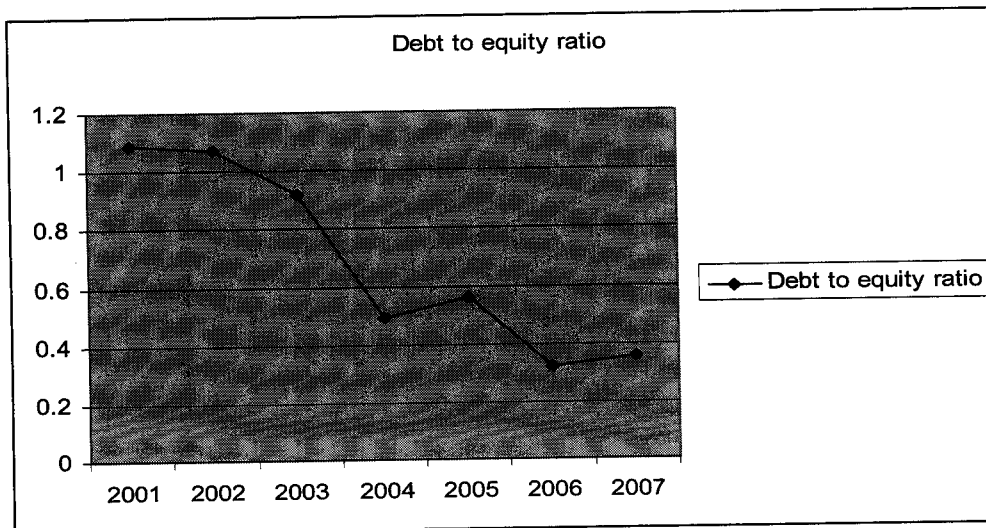
L&T	MAR-01	MAR-02	MAR-03	MAR-04	MAR-05	MAR-06	MAR-07
NET WORTH	3.45	-17.2	6.61	-22.04	22.33	39.13	24.88
NET FIXED ASSETS	1.79	-8.71	-5.05	-74.9	6.56	48.16	38.64
DEBT TO EQUITY RATIO	1.09	1.07	0.92	0.49	0.56	0.32	0.36
PAT/SALES	3.46	3.69	4.54	4.82	6.48	6.07	7.2
RETURN ON EQUITY	4.61	5.31	7.33	11.38	24.21	19.59	21.75
PAT/TOTAL INCOME	4	4.13	4.75	5.14	6.97	6.46	7.55
BV PER SHARE	156.43	165.75	141.89	119.22	256.94	335.61	187.6
CLOSING PRICE	221.3	180.75	184.65	574.35	995.15	2432.6	1619.15

DIAGRAM NO-17**INTERPRETATION**

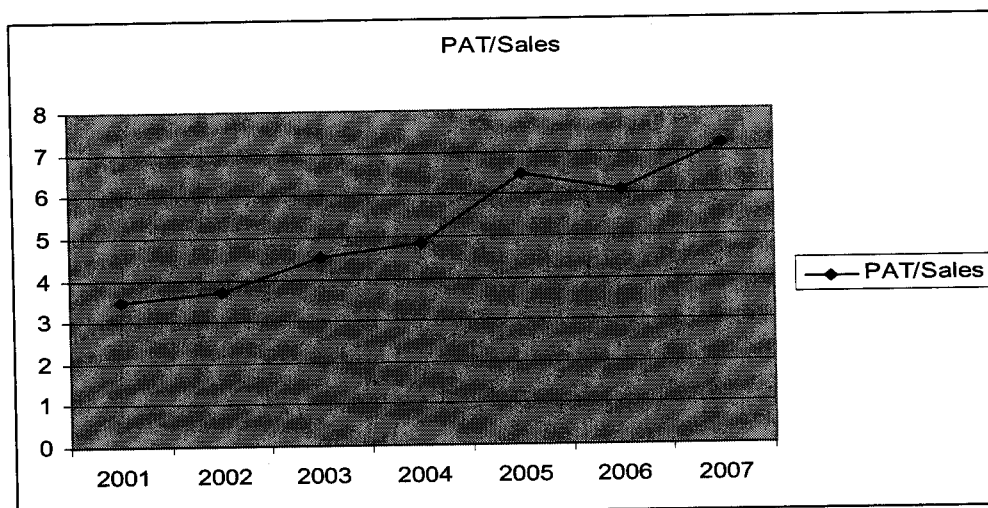
During the study period in 2001 to 2004 there is an up and down trend in the value of the Net Worth but from 2004 onwards there is a continuous uptrend up to 2006 only in 2007 there is a slight decline in the Net Worth.

DIAGRAM NO-18**INTERPRETATION**

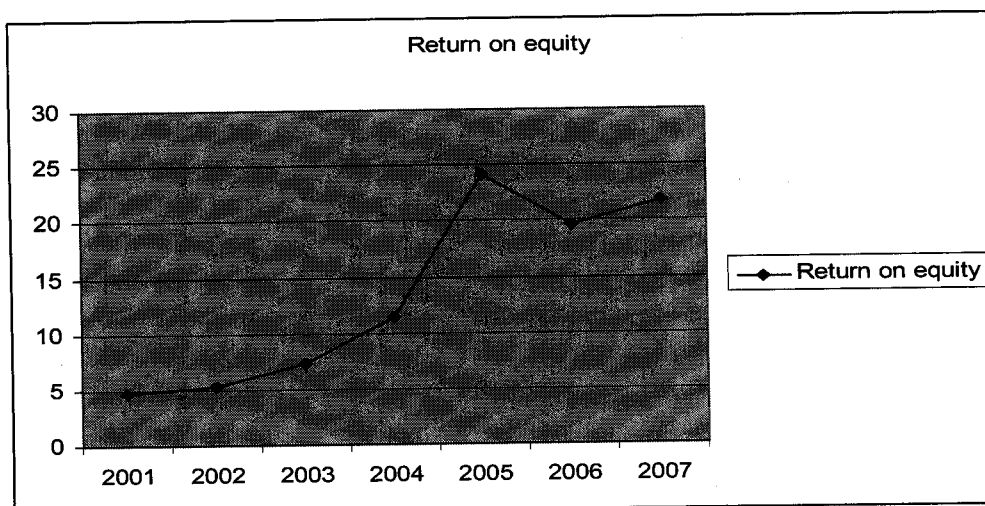
From the above chart in the years 2001 to 2004 there is a decline but from 2004 there is a steep uptrend in the Net Fixed Assets.

DIAGRAM NO-19**INTERPRETATION**

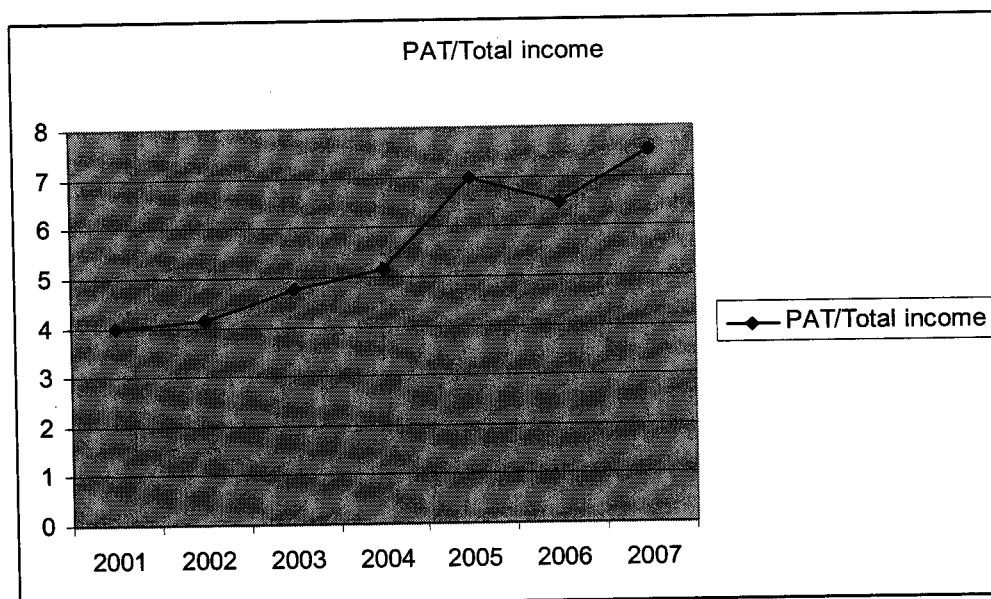
From the above diagram it is very clear L&T has consistent decline of its Debt to Equity Ratio throughout the study period.

DIAGRAM NO-20**INTERPRETATION**

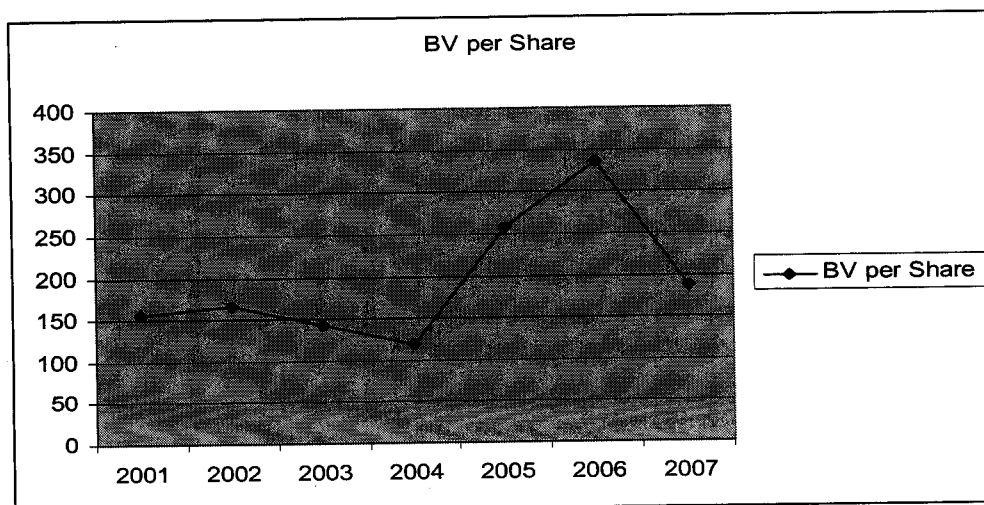
The chart shows a consistent positive growth throughout the study period.

DIAGRAM NO-21**INTERPRETATION**

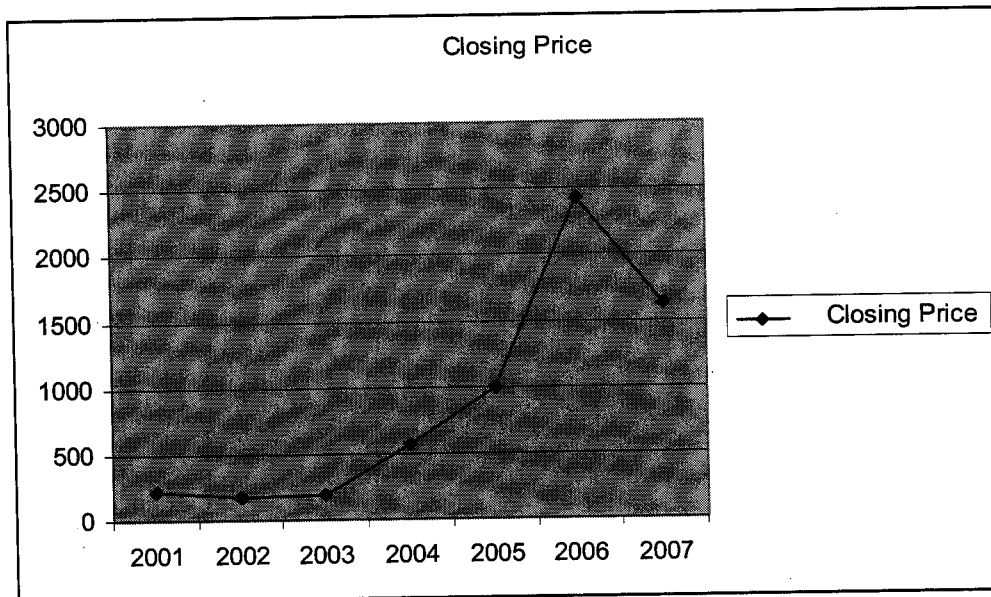
The chart shows a consistent positive growth throughout the study period.

DIAGRAM NO-22**INTERPRETATION**

The chart shows a consistent positive growth throughout the study period.

DIAGRAM NO-23**INTERPRETATION**

During the study period 2001 to 2004 there is no much variation in the BV per Share but from 2004 to 2006 it is an upward movement curve only in the year 2007 it shows a decline.

DIAGRAM NO-24**INTERPRETATION**

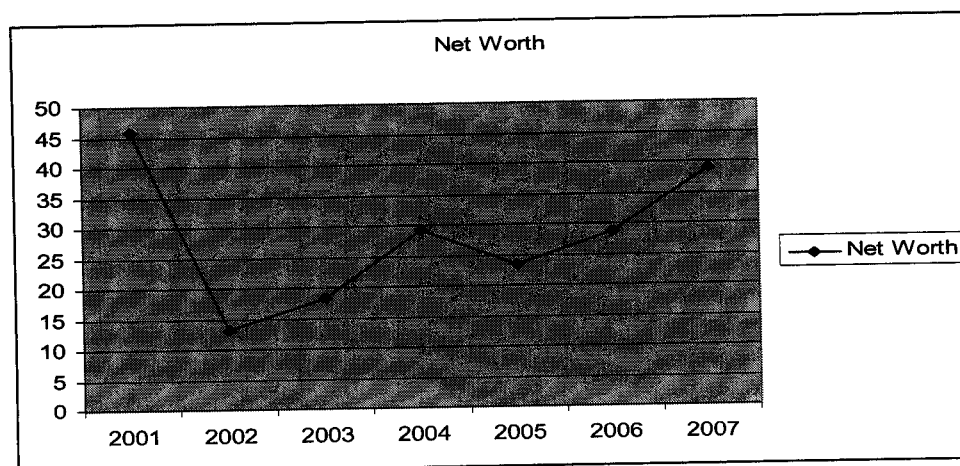
During the study period 2001 to 2003 there is no much variation in the closing price but from 2004 to 2006 it is an upward movement curve and in the year 2007 it starts to decline.

SIEMENS ENGINEERING AND MANUFACTURING COMPANY OF INDIA LIMITED

TABLE NO -5

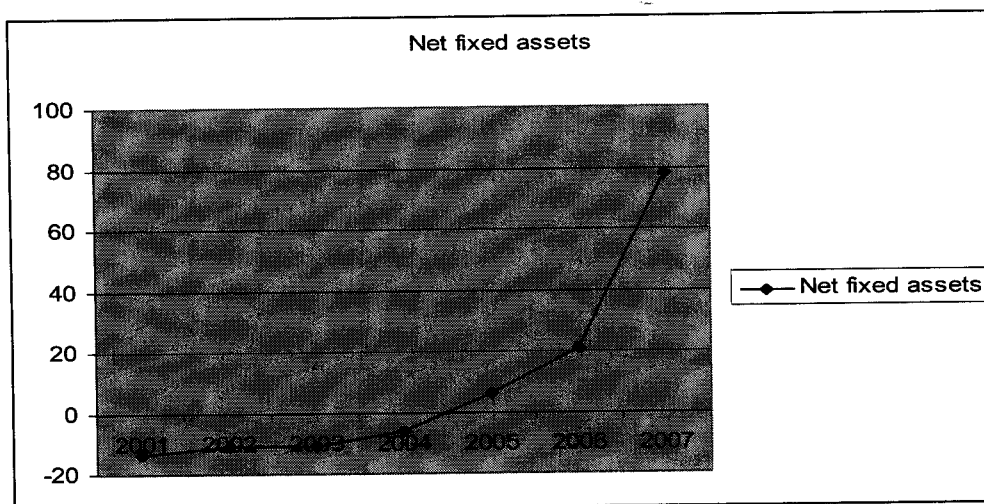
SIEMENS	MAR-01	MAR-02	MAR-03	MAR-04	MAR-05	MAR-06	MAR-07
NET WORTH	45.78	13.2	18.29	29.33	23.44	28.81	39.03
NET FIXED ASSETS	-13.7	-11.15	-10.81	-6.25	5.95	21.23	78.06
DEBT TO EQUITY RATIO	0.15	0.01	0.02	0.01	0	0	0
PAT/SALES	5.16	5.41	4.94	6.68	8.14	8.3	7.58
RETURN ON EQUITY	29.91	21.71	24.48	31.78	27.44	36.59	38.5
PAT/TOTAL INCOME	6.91	5.23	5.98	8.56	7.52	8.32	7.23
BV PER SHARE	84.36	102.9	135.82	165.85	216.34	281.23	70.21
CLOSING PRICE	245.9	255.05	282.4	980.75	1699.25	5682.7	1090.65

DIAGRAM NO-25

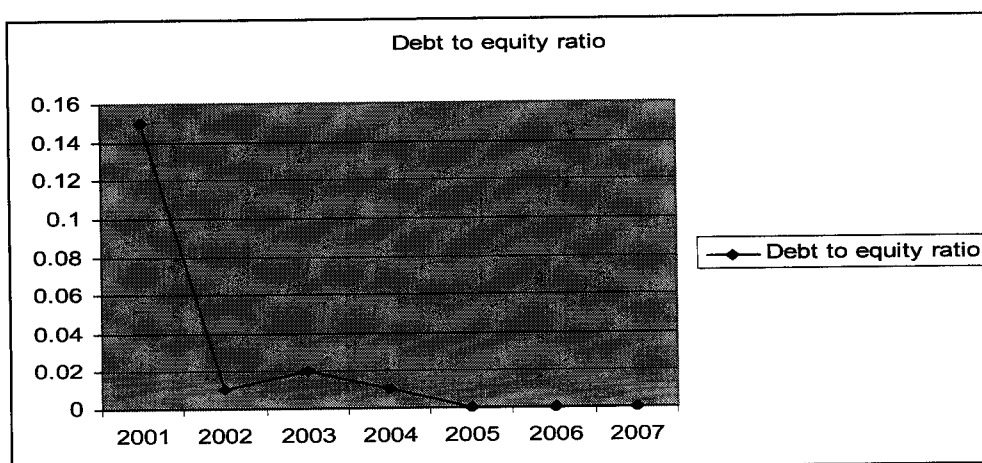


INTERPRETATION

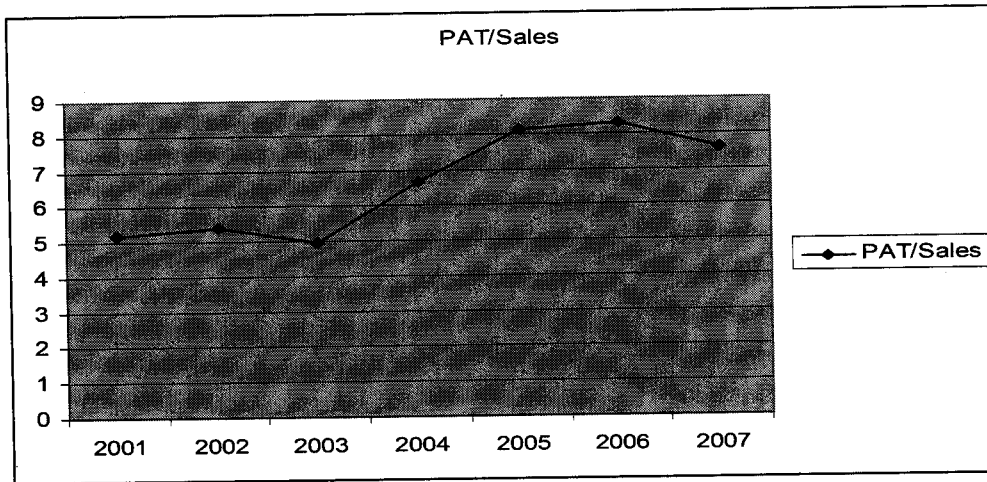
During the study period in 2001 to 2002 there is a down trend in the value of the Net Worth but from 2002 onwards there is a continuous uptrend up to 2007.

DIAGRAM NO-26**INTERPRETATION**

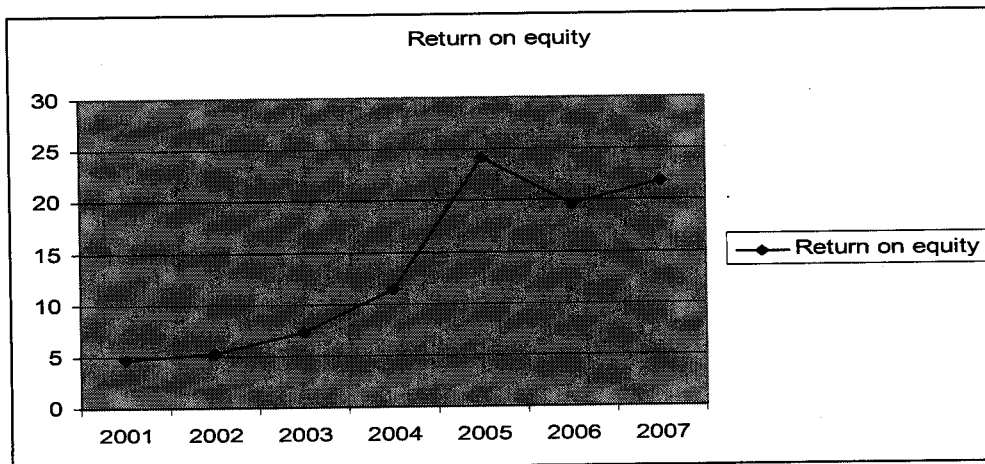
From the above chart from the year 2001 to 2007 there is a continuous uptrend in the Net Fixed Assets.

DIAGRAM NO-27**INTERPRETATION**

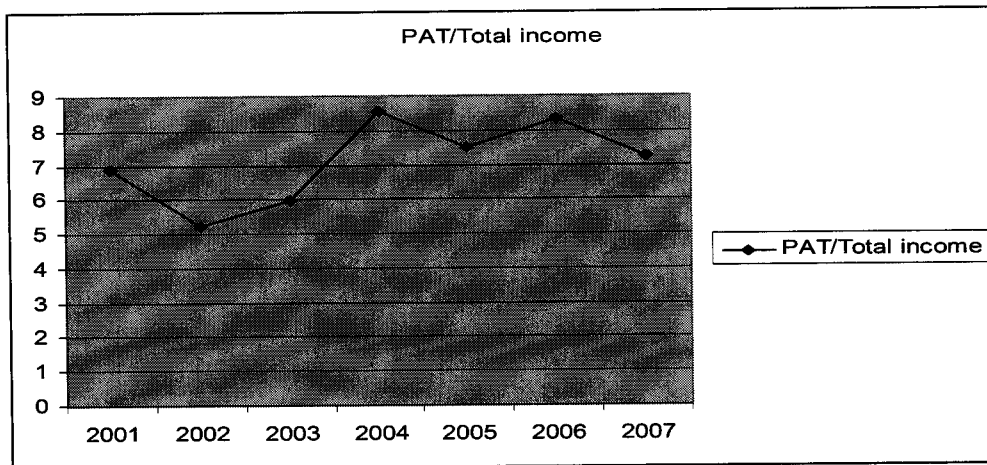
From the above diagram it is very clear SIEMENS has consistent decline of its Debt to Equity Ratio throughout the study period.

DIAGRAM NO-28**INTERPRETATION**

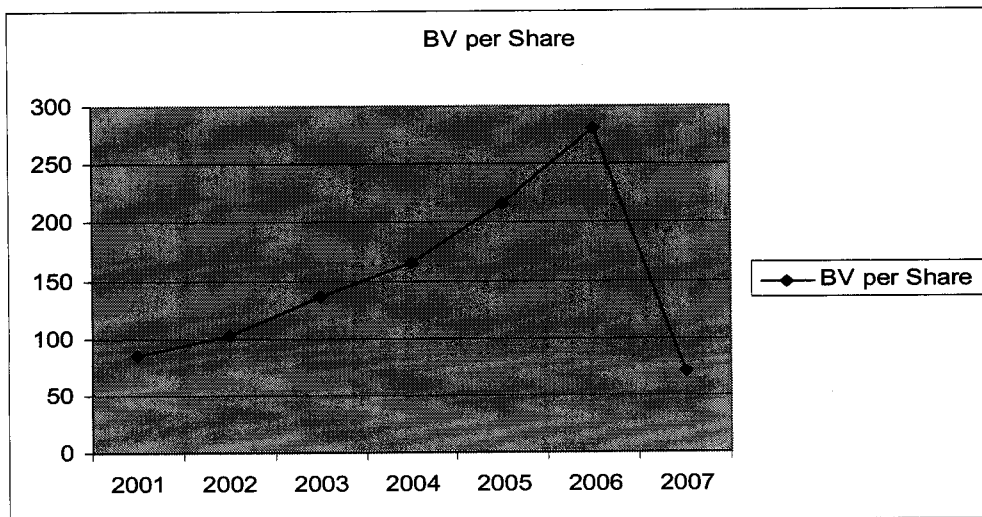
The chart shows a consistent positive growth throughout the study period.

DIAGRAM NO-29**INTERPRETATION**

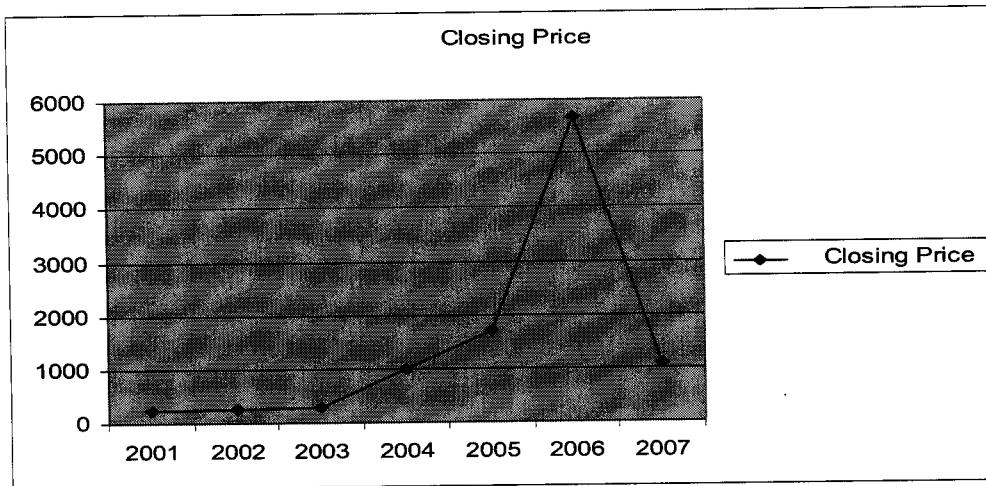
The chart shows a consistent positive growth upto 2005 and a slight variations in 2006 and 2007.

DIAGRAM NO-30**INTERPRETATION**

During the study period in 2001 to 2002 there is a down trend in the value of the PAT/Total Income but from 2002 onwards there is a continuous uptrend upto 2004 and a small decline in the years 2005 and 2007.

DIAGRAM NO-31**INTERPRETATION**

The chart shows a consistent positive growth upto 2006 and a decline in 2007.

DIAGRAM NO-33**INTERPRETATION**

During the study period from 2001 to 2006 there is an uptrend in the value of the closing price but from 2006 to 2007 onwards there is a steep downtrend.

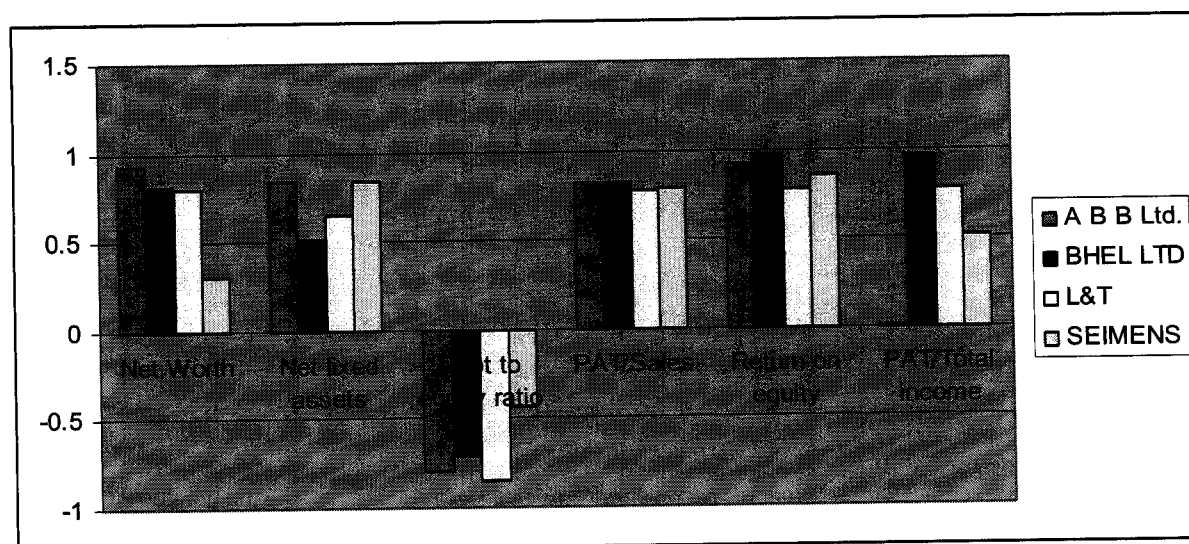
4.4 CORRELATION ANALYSIS

The degree of association i.e., Strength and Direction of Partial Correlation coefficients between the selected variables Net worth, Net Fixed Assets, Debt to Equity Ratio, PAT/Sales, Return on Equity, PAT/Total income (Y- Dependent variable-Closing Price) were studied for the period year ended 2001 to year ended 2007 (7 years) for ABB, BHEL, L&T, and SIEMENS.

TABLE NO-6
CORRELATION ANALYSIS

Ratio\Company	A B B Ltd.	BHEL LTD	L&T	SEIMENS
Net Worth	0.93	0.81	0.80	0.31
Net fixed assets	0.85	0.51	0.65	0.85
Debt to equity ratio	-0.80	-0.71	-0.85	-0.43
PAT/Sales	0.82	0.82	0.78	0.79
Return on equity	0.92	0.97	0.78	0.86
PAT/Total income	0.01	0.96	0.78	0.51

DIAGRAM NO-33
CORRELATION ANALYSIS



INFERENCE:

From the above tables, in all the four selected companies the most significantly correlated variable is Return on Equity of 0.91, 0.97, 0.80, and 0.86 for ABB, BHEL, L&T, and SIEMENS respectively.

The second more positively correlated variable in all the four selected companies is PAT/Sales of 0.81, 0.82, 0.78, and 0.78 for ABB, BHEL, L&T, and SIEMENS respectively.

The third considerable variable which is positively correlated is Net Worth of 0.93, 0.81, 0.80, and 0.31 for ABB, BHEL, L&T, and SIEMENS respectively.

In all the four selected companies for the study, the only negatively correlated variable is Debt to Equity Ratio of -0.79,-0.71,-0.85,-0.43 for ABB, BHEL, L&T, SIEMENS respectively.

CHAPTER 5 - CONCLUSIONS

5.1 FINDINGS

The number one investor Warren Buffett once said “If a business does well, the stock eventually follows”, Its true in this study. In this study I took seven fundamental variables which reflect exactly the performance of a business in four selected company. After the analysis of the secondary data with the help of correlation analysis I found that the Return on Equity is the most positively correlated variable with the share price movement and the Debt to Equity Ratio is negatively correlated with the share price movement.

5.2 CONCLUSIONS

- The study undertaken concludes that the fundamental variable of a company have a main say in the determinant of the share price movement of that company.
- The various tables, Charts used also drive home the point of the relation between the business activity & the movement in the share price.
- Through this study I found that whenever the Return on Equity, PAT/Sales, Net Worth of a company is in the uptrend the market price of the company follows in uptrend and when the Debt to Equity Ratio in the downtrend consistently then also the market price of the share moves in the uptrend.
- The investors should study the selected four fundamental variables Return on Equity, PAT/Sales, Net Worth, and Debt to Equity Ratio of the company before investing for profits in long term.
- The retail investors can invest in a company when the Return on Equity, PAT/Sales, and Net Worth are in the uptrend and the Debt to Equity Ratio in the downtrend consistently.

5.3 FURTHER EXTENSION OF THE STUDY

Attempts have been made to make the study more intensive, but due to time constraints, there exists certain gaps in the present study. Hence, future work may be undertaken to bridge the gap so as to enhance the scope of the study. Technical Factors, which is one of the important factor responsible for Changes in market price and as such Technical Analysis has been excluded in the present study. Hence, while judging the market price of the shares both fundamental and technical analysis be analysed in future. It is hoped that the analysis presented in this study will act as a base for further extension of this important investigation.

CHAPTER 6 - REFERENCES

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