

## **Maruti Suzuki Ltd.: Do I Buy or Do I Sell It?**

Pallavi Kashyap

Dibrugarh University, India

### **Abstract**

Equity analysis has always been an important part of investments. The main aim of the paper is to analyze the price movements of shares of MARUTI SUZUKI INDIA LTD. and interpret the corrections and trends by using Technical Analysis tools. We have also tried to study the variations in security prices of the co. and decide buy and sell signals from the investor's point of view using moving averages and graphs. Herein this paper, we basically used the technical analysis tool moving averages and have used secondary sources of data- i.e. the equity prices of Maruti Suzuki Ltd. Extracted from the capitaline databases.

**Keywords:** technical analysis, buy and sell decision, moving averages.

### **INTRODUCTION**

We would first dwell into the Conceptual Framework:

#### *STOCK MARKET/SECURITIES MARKET:*

Securities Markets is a place where buyers and sellers of securities can enter into transactions to purchase and sell shares, bonds, debentures etc. Further, it performs an important role of enabling corporates, entrepreneurs to raise resources for their companies and business ventures through public issues. Transfer of resources from those having idle resources (investors) to others who have a need for them (corporates) is most efficiently achieved through the securities market. Stated formally, securities markets provide channels for reallocation of savings to investments and entrepreneurship. Savings are linked to investments by a variety of intermediaries, through a range of financial products, called 'Securities'. (*NCFM Financial Markets Beginners Module*).

#### *TECHNICAL ANALYSIS AND FUNDAMENTAL ANALYSIS*

Broadly speaking, there are two popular groups of strategies for researching and forecasting the growth trend of stocks. These methodologies help us to pick up and stock among the various alternatives available. They are:

##### *1. TECHNICAL ANALYSIS:*

Technical analysis is the evaluation of securities by means of studying statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value but instead use stock charts to identify patterns and trends that may suggest what a stock will do in the future.

A technician looks to take the emotion out of investing by applying rules that usually apply to almost every investment that fluctuates in price in a free market. Technical analysis uses historical stock statistics, usually price and volume data, to forecast future prices. In layman's terms, a technical analyst finds a pattern in a stock's data, makes the assumption that the pattern is going to repeat into the foreseeable future, and accordingly places his/her trade in the direction signalled by the pattern.

Technical indicators are frequently used by technical analysts to help make their trading decisions. Popular technical indicators include moving averages, MACD, regressions, support/resistance levels, etc. Technical analysts essentially look for trends in the market. Their basic assumption is that price of a stock already has all information priced into it and that a stock is either always 'trending' up, down, or sideways. Prices move in patterns and price action repeats itself. Charts are frequently used by technical analysts to help make their trading decisions. For example, suppose a trader notices (usually with the help of a chart) that the previous 25 times, every time stock XYZ trended up 1 per cent, it was followed by a downward trend. Essentially, the trader has stumbled upon a 'zig-zag' pattern: it seems that the market begins to sell the stock every time it trends up 1 per cent.

The trader has now created a signal: the next time the stock trends up 1 per cent, he/she will look to sell the stock. Similarly, traders look for other such types of patterns to help make their trading decisions.

2. **FUNDAMENTAL ANALYSIS:** Fundamental analysis is a method of evaluating securities by attempting to measure the intrinsic value of a stock. Fundamental analysts study everything from the overall economy and industry conditions to the financial condition and management of companies. Fundamental analysis of a business involves analyzing its financial information and health, its management and competitive advantages, and its competitors and markets. The biggest criticisms of fundamental analysis come primarily from two groups: proponents of technical analysis and believers of the "efficient market hypothesis." Fundamental analysis is performed on historical and present data, but with the goal of making financial forecasts. There are several possible objectives:

- To conduct a company stock valuation and predict its probable price evolution,
- To make a projection on its business performance,
- To evaluate its management and make internal business decisions,
- To calculate its credit risk.

#### **OBJECTIVES OF THE STUDY**

- To analyze the price movements of shares of MARUTI SUZUKI INDIA LTD. and interpret the corrections and trends by using Technical Analysis tools.
- To forecast the future trends and provide suitable suggestions to the investors.
- Studying the variations in security prices of the co. and decide buy and sell signals from the investor's point of view using moving averages and graphs

#### **METHODOLOGY**

The methodology used in this study is basically secondary data from various sources like the company's website and capitaline databases. It is an analytical study. We are using moving averages, graphs and charts and to determine the buy and sell trend of the shares of the company.

#### **SCOPE OF THE STUDY**

- The study covers a period of 5 years from 1 April, 2009 to 31 March, 2014.

- The study helps to find out the future trends in the price of MARUTI SUZUKI INDIA LTD. Equity shares. Valuable hints can be identified by the investors for their future buying and selling.

### **LIMITATIONS OF THE STUDY**

- One of the most important limitations for most technical analysis methods is the fact that there are so many people using the basic technical analysis methods already, and the number is increasing every day, making it harder for a single trader to make money on the market with the methods.
- Because of these methods are so widely spread and there is so much money riding on the methods, some also claim that technical analysis has become self-fulfilling prophecy, as people tend to enter the market and put their stops on the same places, increasing the volatility towards the technical analysis method being correct.
- Technical analysis systems usually do not take into account correlation between different markets. If you are analyzing several markets and they all give similar signals, they may have close correlations, meaning that the risk profile for each is very similar, and that the prices of the assets move in close steps with each other.

### **COMPANY PROFILE**

**Maruti Suzuki India Limited** commonly referred to as **Maruti** and formerly known as **Maruti Udyog Limited**, is an automobile manufacturer in India. It is a subsidiary of Japanese automobile and motorcycle manufacturer Suzuki. As of November 2012, it had a market share of 37% of the Indian passenger car market. Maruti Suzuki manufactures and sells a complete range of cars from the entry level Alto, to the hatchback Ritz, A-Star, Swift, Wagon R, Zen and sedans DZire, Kizashi and SX4, in the 'C' segment Eeco, Omni, Multi Purpose vehicle Suzuki Ertiga and Sports Utility vehicle Grand Vitara.

The company's headquarters are at No 1, Nelson Mandela Road, New Delhi. In February 2012, the company sold its ten millionth vehicle in India.

**MarutiUdyog Limited (MUL)** was established in February 1981, though the actual production commenced in 1983 with the Maruti 800, based on the Suzuki Altokei car which at the time was the only modern car available in India, its only competitors - the Hindustan Ambassador and Premier Padmini - were both around 25 years out of date at that point. Through 2004, Maruti Suzuki has produced over 5 Million vehicles. MarutiSuzukis are sold in India and various several other countries, depending upon export orders. Models similar to those made by Maruti in India, albeit not assembled or fully manufactured in India or Japan are sold by Pak Suzuki Motors in Pakistan.

The company exports more than 50,000 cars annually and has domestic sales of 730,000 cars annually. Its manufacturing facilities are located at two facilities Gurgaon and Manesar in Haryana, south of Delhi. Maruti Suzuki's Gurgaon facility has an installed capacity of 900,000 units per annum. The Manesar facilities, launched in February 2007 comprise a vehicle assembly plant with a capacity of 550,000 units per year and a Diesel Engine plant with an annual capacity of 100,000 engines and transmissions. Manesar and Gurgaon facilities have a combined capability to produce over 14,50,000 units annually.

About 35% of all cars sold in India are made by Maruti. The company is currently 56.21% owned by the Japanese multinational Suzuki Motor Corporation per cent of Maruti Suzuki. The rest is owned by public and financial institutions. It is listed on the Bombay Stock Exchange and National Stock Exchange of India.

## FINDINGS AND ANALYSIS

Herein, we are using the Technical analysis indicator “MOVING AVERAGES LINE” to analyse the market as well as individual stock prices. The Moving Averages line is then compared with the actual stock price line to identify BUY or SELL signals. We know that:

- When the actual stock price line cuts the moving average line from below, it is a *BUY SIGNAL*.
- When the actual stock price line cuts the moving average line from above, it is a *SELL SIGNAL*.

We have first taken the actual stock prices gathered from the capitaline databases. Then we calculated the 5-days moving average from the available stock prices. we have done this for the financial year 2009 -2010 , 2010-11, 2011-12, 2012-13 and 2013-14.

First we prepared the charts on a monthly basis. The graph for the month of March 2010 is shown below: Graph (1)

We can see that there were four sell signals and six buy signals. Therefore, the market conditions as per technical analysis indicated more favourable conditions for investors to buy the securities of Maruti Suzuki India Ltd, although there were enough sell signals too.

Similarly we conducted the monthly analysis for the five financial years with the help of 60 other monthly graphs.

Then, we prepared yearly graphs one by one for 5 financial years from 2009-2014. And finally, we used moving averages analysis in all the years and prepared our combined graph for 5 years which is as follows: Graph (2)

Coming to the last scene, that is if we take all the five years beginning 1-04-2009 to 31-03-2014, we find an equal number of buy and sell signals.

## CONCLUSION

Therefore, we can conclude that the market scenerio is quite balanced for the company. Both trends - buy and sell are present. We can somewhat predict the stock prices. There is no such great fluctuations. The market scenerio for Maruti Suzuki is quite stable.

## SCOPE FOR FURTHER STUDY

Herein this study, we have used only one tool i.e. moving averages. However many other tools such as regression, suuport/resistance levels etc. can be used. Moreover, both fundamental and technical analysis combined together can also be used to achieve great results.

## REFERENCES

1. www.capitaline .com
2. “What is the difference between fundamental and technical analysis?” [Online]  
Available from: <http://www.investopedia.com/ask/answers/131.asp#ixzz3YIpLPhQF>  
[Accessed on July 2015]
3. “Fundamental Analysis:What Is It?”[Online]  
Aavailable at <http://www.investopedia.com/university/fundamentalanalysis/fundanalysis1.asp>  
[Accessed on April 2015]
4. NCFM Financial Markets beginners Module [Online] Available at [http://www.nse-india.com/content/ncfm/SMBM\\_rev.pdf](http://www.nse-india.com/content/ncfm/SMBM_rev.pdf).
5. Maruti Suzuki India Ltd. [Online]

Available at [http://en.wikipedia.org/wiki/Maruti\\_Suzuki](http://en.wikipedia.org/wiki/Maruti_Suzuki)

Accessed on: April 2015

6. <http://finance.yahoo.com/>

### Tables and Graphs:

Graph (1)

DATE	<i>ACTUAL-STOCK PRICE</i>	5-YEAR AVERAGE	MOVING
31 Mar, 2010	1,417.95		
30 Mar, 2010	1,407.65		
29 Mar, 2010	1,427.45	1404.01	
26 Mar, 2010	1,396.85	1398.58	
25 Mar, 2010	1,370.15	1395.73	
24 Mar, 2010	1,390.80	1389.73	
23 Mar, 2010	1,393.40	1396.22	
22 Mar, 2010	1,397.45	1406.53	
19 Mar, 2010	1,429.30	1415.07	
18 Mar, 2010	1,421.70	1428.15	
17 Mar, 2010	1,433.50	1437.88	
16 Mar, 2010	1,458.80	1444.74	
15 Mar, 2010	1,446.10	1453.24	
12 Mar, 2010	1,463.60	1462.51	
11 Mar, 2010	1,464.20	1470.65	
10 Mar, 2010	1,479.85	1477.06	
9 Mar, 2010	1,499.50	1475.75	
8 Mar, 2010	1,478.15	1474.34	
5 Mar, 2010	1,457.05	1473.67	
4 Mar, 2010	1,457.15	1471.99	
3 Mar, 2010	1,476.50	1469.58	
2 Mar, 2010	1,491.10	1470.16	
1 Mar, 2010	1,466.10	1458.71	



Graph (2)

**OVERALL GRAPH**

<i>DATE</i>	<i>ACTUAL PRICE</i>	<i>STOCK 3 DAYS MOVING AVERAGE</i>
31 Mar, 2010	1,417.95	
31 Mar, 2011	1,262.15	1343.533333
30 Mar, 2012	1,350.50	1297.95
29 Mar, 2013	1,281.20	1534.483333
31 Mar, 2014	1,971.75	

