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A Comparative Study on the Performance of Accel Ltd Using Fundamental Indicators

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ABSTRACT

This study provides a comprehensive analysis of the financial performance and future prospects of a subject entity, utilizing various fundamental indicators and comparative analysis techniques. Through an examination of metrics such as Earnings Per Share (EPS), Return on Equity (ROE), Debt-to-Equity (D/E) Ratio, and others, alongside a comparative assessment with industry standards and similar entities, key areas of strength and improvement are identified. The study emphasizes the significance of stability, prudent debt management, market sentiment analysis, dividend sustainability, and sustainable growth potential in driving long-term value creation. Recommendations highlight the importance of prioritizing companies with stable financial metrics, scrutinizing debt management strategies, assessing market sentiment, analyzing dividend sustainability, and focusing on sustainable growth. The insights provided serve as a valuable guide for stakeholders in making informed decisions regarding investments, resource allocation, and risk management strategies in a dynamic business landscape.

1. Introduction

India is a developing country with growing interest in financial markets, particularly equities. Investments involve distributing money or time now with hopes of future benefits. Understanding investment's importance and factors influencing it is crucial for making informed financial decisions.

2. Investment Overview

Why Invest? Investing is essential to achieve financial goals and ensure a secure future. It promotes financial discipline and helps accumulate a corpus for emergencies.

Factors Influencing Investment

- Returns, capital appreciation, safety, and security
- Analysis of profit and loss in various investment forms like equities, real estate, and bonds

3. Equity Market

Equity markets allow companies to issue and trade shares, providing capital growth opportunities for investors. The primary stock exchanges in India are BSE and NSE.

Bombay Stock Exchange (BSE)

- Established in 1875, the oldest stock exchange in Asia
- Important indices include Sensex, BSE 100, BSE 200

National Stock Exchange (NSE)

- Introduced electronic trading in 1992
- Nifty 50 index lists the top 50 companies

4. Regulator of Stock Exchange

The Securities and Exchange Board of India (SEBI) regulates stock exchanges, protecting investor interests and promoting securities markets.

5. Valuation of Equity

Fundamental analysis and technical analysis are two primary methods used to evaluate securities and make investment decisions.

6. Company Profile: Accel Ltd

Overview

- Founded in 1986, located in Chennai, involved in IT services, media, real estate, and education
- Provides IT infrastructure management, warranty management, managed print, cybersecurity, and software services

Key Figures

- Founder and CEO: Mr. N.R. Panicker
 - Authorized share capital: INR 59.50 crores
 - Paid-up capital: INR 11.51 crores
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7. Need of the Study

- Explore the necessity of using fundamental indicators and time series regression to assess company performance over time.
 - Investigate how fundamental indicators provide crucial insights into financial health, helping stakeholders evaluate stability and adaptability in dynamic markets.
 - Examine the importance of time series regression for identifying trends in company performance, aiding in understanding growth trajectories and potential improvements.
 - Analyze the significance of comparing company performance with industry peers to establish benchmarks, assisting stakeholders in evaluating competitive positioning.
 - Highlight the utility of time series regression in forecasting future performance, empowering stakeholders with valuable insights for informed decision-making and strategic planning.
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8. Objectives of the Study

Primary Objective

- To perform a comparative study on the performance of Accel Ltd using fundamental indicators and forecasting by using time series regression.

Secondary Objectives

- Assess performance using fundamental indicators against industry benchmarks.
 - Analyze historical trends and fundamental metrics using time series regression.
 - Evaluate risk exposure through fundamental indicators like Debt-to-Equity Ratio.
 - Suggest strategic actions based on comparative study results for investment and risk management.
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9. Scope of the Study

- Analyze various fundamental indicators like EPS, ROE, and D/E Ratio.
- Compare the subject entity's performance with industry standards and peers to provide a holistic view of its financial health and efficiency.
- Use time series regression to forecast future trends based on historical data and fundamental metrics.
- Assess risk exposure using indicators like D/E Ratio and Free Cash Flow, focusing on identifying and mitigating financial risks.
- Conclude with strategic recommendations from the comparative analysis and forecasts to aid stakeholders in investment decisions, resource allocation, and risk management.

10. Limitations of the Study

- The data collected is secondary in nature.
- Accuracy depends on the published accounts.
- Limited time restricted a detailed study.
- Inherent limitations of fundamental analysis apply.
- Analysis is based on personal interpretations and knowledge.
- Non-monetary factors are not considered.
- Lack of personal contact with company stakeholders.

11. Research Methodology

Design and Data Collection

- The study uses secondary data from sources like BSE, moneycontrol.com, and other financial websites
- Analysis of share prices and financial indicators over five years

Fundamental Analysis Indicators

1. Earnings Per Share (EPS)
2. Return on Equity (ROE)
3. Return on Capital Employed (ROCE)
4. Debt to Equity (D/E) Ratio
5. Price to Earnings (P/E) Ratio

12. Analysis and Interpretation

i. Earnings Per Share (EPS)

% EPS FOR THE YEAR						
Sl.NO	COMPANIES	2019	2020	2021	2022	2023
1	ACCEL LTD	0.83	0.97	0.14	1.03	0.5
2	MROTEK Realty Ltd	5.28	2.79	3.99	42.11	2.01
3	Cerebra Integrated Technologies Ltd	0.32	0.94	0.1	2.45	2.45

Interpretation: Accel Ltd showed fluctuating EPS, indicating volatility but potential for growth.

ii. Return on Equity (ROE)

% ROE FOR THE YEAR						
Sl.NO	COMPANIES	2019	2020	2021	2022	2023
1	ACCEL LTD	7.93	9.21	1.01	6.54	4.53
2	MROTEK Realty Ltd	269.72	0	0	113.09	5.69
3	Cerebra Integrated Technologies Ltd	1.63	3.88	0.57	10.63	0.96

Interpretation: Accel Ltd exhibited a stable ROE, suggesting efficient use of shareholders' equity.

iii. Return on Capital Employed (ROCE)

% ROCE FOR THE YEAR						
Sl.NO	COMPANIES	2019	2020	2021	2022	2023
1	ACCEL LTD	4.88	6.13	1.45	7.66	12.49
2	MROTEK Realty Ltd	174.61	2.14	7.59	80.38	1.36
3	Cerebra Integrated Technologies Ltd	18.45	12.48	4.8	17.73	3.71

Interpretation: Accel Ltd improved in utilizing capital efficiently over time.

iv. **Debt to Equity (D/E) Ratio**

% D/E FOR THE YEAR						
SL.NO	COMPANIES	2019	2020	2021	2022	2023
1	ACCEL LTD	0.08	0.41	0.8	0.73	1.06
2	MROTEK Realty Ltd	8.06	32.22	6.67	1.03	1.22
3	Cerebra Integrated Technologies Ltd	0.01	0.03	0.06	0.13	0.16

Interpretation: Moderate level of debt relative to equity, indicating stable financial management.

v. **Price to Earnings (P/E) Ratio**

% P/E FOR THE YEAR						
SL.NO	COMPANIES	2019	2020	2021	2022	2023
1	ACCEL LTD	11.04	5.51	112.29	28.11	23.22
2	MROTEK Realty Ltd	7.19	13.03	6.24	1.2	28.51
3	Cerebra Integrated Technologies Ltd	283.33	32.5	136.45	32.12	2.96

Interpretation: Fluctuating P/E ratios suggest mixed market perceptions and potential undervaluation.

13. Summary of Findings

Findings

- Accel Ltd showed resilience and potential for growth with positive trends in profitability metrics.
- Increasing leverage indicates a moderate level of debt relative to equity.
- Fluctuations in P/E and P/S ratios suggest potential undervaluation.
- Initiation of dividend payments in 2022 with a declining trend.

Recommendations

- Focus on stability by prioritizing companies with consistent financial metrics.
- Evaluate debt management strategies to ensure sustainable practices.
- Analyze market sentiment using P/E and P/S ratios for potential undervaluation.
- Assess dividend sustainability and alignment with financial objectives.
- Seek companies with sustainable growth potential.

14. Conclusion

The study highlights the importance of stability, prudent debt management, market sentiment analysis, dividend sustainability, and growth potential in driving long-term value creation. Cerebra Integrated Technologies Ltd emerges as the most favorable choice, followed by Accel Ltd, while MROTEK Realty Ltd's erratic performance places it at a disadvantage. Continuous strategic evaluation and adaptation are crucial for sustainable growth and maximizing shareholder value.

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