Corporate Finance (18EPG201)

Assignment 1

Dear students

 !"#$%

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All of us have understood that corporate finance broadly encompasses Investing , Financing (long term) and Working Capital (short term). Under each there are many variables and combinations.

Some aspects are highlighted below. These are getting a mention in the audited accounts of all listed companies. You have to browse the company financials and pick up information appearing therein on all the points noted below. If any point is not getting mentioned in the financials , please indicate this in your assignment. Don’t leave out any point.

|  |  |
| --- | --- |
| 1 | Managing Risk |
| 2 | Decision making |
| 3 | Research & Development |
| 4 | Minimising manufacturing cost |
| 5 | Raising Capital |
| 6 | Effective functioning |
| 7 | Growth and Diversification |
| 8 | Short term and long term goals |
| 9 | Marketing a company / product |
| 10 | Dividend and Interest |
| 11 | Foreign exchange inflow Exports and foreign exchange outflow Imports |
| 12 | CSR Activities  You are free to add any other feature you find interesting. Example Notes on Accounts Contingent Liabilities , Qualification / observation by auditors, Ind AS related disclosures, etc , etc |

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1. The answer is in three parts
2. What is mentioned and available in the company financials (Request you to browse through all the 100 plus odd pages)
3. Your observations, to the extent possible, on all the points as indicated above.
4. Your perspectives on the industry or the company. This is very critical to understand how you far you have researched on the company
5. What is important in this assignment is your conceptual clarity which should reflect in points 3 and 4 as above. Since you have one month time you can attend this assignment in all seriousness .
6. I will give individual feedbacks on your assignments which I feel can help you in your journey of mastering finance in general and corporate finance in particular.

I have gone through the financials of Hindustan Aeronautics Limited for the key words coming in this assignment. I have copied and downloaded this as part of the assignment. Wherever you don’t get a straight connection, go through the balance sheet for two years and share your observations , for example raising capital. You can see difference in share capital amounts and identify whether there is an infusion of new capital, etc. Don’t worry about perfection, but show your comprehension. Your comprehension will be highlighted when you give the information as above and then add your perspective.

For doing this , you have to go through the entire file including Directors Report, Directors Forward Looking statement, etc, etc

Begin your assignment with the following introductory points.

|  |  |  |
| --- | --- | --- |
| 1 | Company name | Hindustan Aeronautics Limited |
| 2 | Years in existence | 60 Years |
| 3 | Industry Details | Aerospace and Defence Industry  Manufacture of Aircraft, Helicopters  and its Engines, Accessories  Repair, Overhaul and Maintenance,  Upgrade of Aircraft, Helicopters and  its Engines, Accessories |
| 4 | Competitors | Direct competition from foreign companies looking  for enter/sustain into Indian market |
| 5 | Sales in the last reported full year (Please mention unit of measurement correctly Rs in Millions, or Rs in lakhs, etc. ) | Rs. 26987 Crores |
| 6 | Net profit after taxes in the reported full year | Rs 5914 Crores |
| 7 | Some important ratios (You have to calculate and put these figures. Pick up one ratio each from different types of ratios)   1. Profitability Ratio 2. Current Ratio 3. Debt Equity Ratio 4. Turnover ratios Trade Receivable Turnover Ratio 5.63 5. Earning ratios like EPS 173.79 | 22%  1.68  0.00 |
| 8 | Balance Sheet size (total of either assets or liabilities ) Mention unit of measurement like Rupees in Million correctly | Rs 67118 Crores |

After giving the fundamental information as above, start filling up on the eleven point matrix shared above.

1. Managing Risk:

The Company has a Board approved Risk Management Policy, in place. The policy aims at elimination or reduction of risk exposures through identification and analysis of various types of risks and facilitating timely action for taking risk mitigation measures.

**Risk management framework**

**Download (I have copied from the financials)**

In line with Regulation 21 of the SEBI (LODR), Regulations, 2015, the Board of Directors had constituted the Risk

Management Committee for monitoring and reviewing of the risk management plan and other such functions as it may, deem fit including ESG, Cyber Security and Business Continuity Plan, in line with applicable laws.

The major risks and concerns for the Company are:

• Dependency on foreign OEMs for supply of critical Components and Spares required for the manufacture

and overhaul of Aircraft/ Helicopters.

• Dependency on limited customers for new contracts.

• Competition from domestic and foreign players.

• Risk of natural disasters and pandemic.

**MEASURES TO TACKLE CHALLENGES**

Mitigating Strategic Challenges

Mitigating R&D Challenges

Mitigating Marketing Challenges

Mitigating Operational Challenges

**Financial Risk Management appearing as part of Notes to the Financial Statement**

Foreign Currency Risk

Credit Risk

Liquidity Risk

Market Risk

**Risk Mitigation Process**

As a step of institutionalizing the risk management in the Group, an elaborate framework has been developed and the Group’s top management has overall responsibility for the establishment and oversight of the Group’s risk management framework. An important purpose of the framework is to have a structured and comprehensive risk management system across the Group which ensures that the risks are being properly identified and effectively managed. The Group has a risk management policy to manage & mitigate these risks. The risk management process includes risk identification, risk assessment, risk evaluation, risk mitigation and regular review and monitoring of risks. The Group’s risk management policy aims to reduce volatility in financial statements while maintaining balance between providing predictability in the Group’s business plan along with reasonable participation in market movement.

**My observation (I have added my points)**

1. Responsibility on the top management.
2. Setting up threshold limits for various kinds of risks envisaged.
3. Clear definition of roles and responsibilities.

**My observation (I have added my points)**

1. Audit committee and Internal Audit as two pillars of Control and oversight

2. Decision Making:

The Board of Directors headed by the Executive Chairman and Managing Director (CMD) is the apex body which oversees the functioning of the Company. The Board provides long-term vision, strategic thinking, major plans of action, setting performance objectives, monitoring implementation and corporate performance. It has constituted Sub-Committees to facilitate smooth and efficient decision-making process.

Management Committee (MC) is the specified Committee of the Board/ Director responsible for decision making on sustainability related issues

**My observation (I have added my points)**

Management Committee has been constituted which plays a pivotal role in decision making .

3. Research & Development:

Your Company has continued its efforts towards the Design and Development of new platforms/ products / technologies and activities to enhance its capability with a view to bring technological superiority to its products and to cope up with the future technological challenges. These efforts have resulted in major achievements such as successful first flight of ALH with two segmented Main Rotor Blades and Pre-Cone Main Rotor Head developed to address the stringent stowage dimension requirement of Indian Navy, first Inverted Spin tests of

HTT-40, first flight of LCA Mk1A and maiden arrested landing & ski-jump take-off by LCA Navy MK1 aircraft from the indigenous aircraft carrier INS Vikrant

My observation **(I have added my points)**

This heading covers further areas but I have included a sample to highlight the importance of Research & Development and also reporting requirements with a futurustic outlook

4. Minimizing Manufacturing Cost:

Focus on increasing operational efficiencies by adapting latest technologies such as Industry 4.0, automation, additive manufacturing, etc.

The Company is focusing on use of advanced materials, Advanced Manufacturing Technologies and automation to improve product quality and achieve operational efficiencies.

The Audit Committee of the Board, inter alia, provides reassurance to the Board on the existence of an effective internal control environment that ensures:

􀁺 efficiency and effectiveness of operations;

􀁺 safeguarding of assets and adequacy of provisions for all liabilities;

􀁺 reliability of financial and other management information and adequacy of disclosures;

􀁺 compliance with all relevant statutes.

5. Raising Capital:

No capital was raised during the year

6. Effective Functioning:

I have given specimen as above and you can take up from these.

7. Growth and Diversification:

8. Short-Term and Long-Term Goals:

9. Marketing a Company / Product:

10. Dividend and Interest:

Assignment: Each student will pick up the company allotted to her / him. In the respective companies Investor page all information is available . Download the required files and go through the same like I have done above. In addition you can give your review / comments on the performance of the companies. ( Turonover, profitability, ratios, etc. You can get parallel information from Moneycontrol.com or another website reference given below which gives Intra company (ie same company for five years) and inter company (competitor company comparison) information.

I want the assignment to be done for the below company.

|  |  |
| --- | --- |
| Company | [ABB INDIA](https://www.equitymaster.com/result.asp?symbol=ABB&name=ABB-INDIA-Stock-Quote-Chart&utm_source=key-sector-quote&utm_medium=website&utm_campaign=company-name&utm_content=stockquote) |