



A STUDY ON COST OF CAPITAL AT ENGINEERING TOOLS INDUSTRY IN BANGALORE

UMA.S

2nd Year MBA, The Oxford College of Engineering, Bangalore, India

USHA.A

2nd Year MBA, The Oxford College of Engineering, Bangalore, India

BHARATHI.N

2nd Year MBA, The Oxford College of Engineering, Bangalore, India

Dr. HARISH N

Assistant Professor, Department of MBA, The Oxford College of Engineering,
Bangalore, India

Article History

Received: 15 Aug 2023

Revised: 28 Sept 2023

Accepted: 29 Oct 2023

1.ABSTRACT:

Wise Tech Precision Engineering Pvt Ltd is a well-established manufacturing company that specializes in the production of precision engineering tools. With a solid accentuation on quality and accuracy, the organization is known for its commitment to manufacturing tools of the highest caliber.

Core Business: The core business of Wise Tech Precision Engineering revolves around the manufacturing of a wide range of tools. These tools are engineered with meticulous attention to detail and precision. The company's expertise lies in the production of tools that cater to the needs of various industries.

Manufacturing Excellence: The manufacturing process at Wise Tech Precision Engineering involves the use of cutting-edge machinery, equipment, and a skilled workforce. This commitment to advanced manufacturing technologies ensures that the tools produced are of the highest quality and meet industry standards.

Industry Impact: Wise Tech Precision Engineering's tools play a vital role in the production processes of several industries, including but not limited to aerospace, home appliances, and automotive. These tools are indispensable in creating more advanced products and facilitating the manufacturing operations of other businesses.

Market Distribution: The company's products are distributed through a well-established network. Wise Tech Precision Engineering supplies its precision tools to wholesalers, who further distribute them to retailers. Ultimately, these tools find their way to

<p>CC License CC-BY-NC-SA 4.0</p>	<p>end-users, which may include individuals and businesses alike.</p> <p>Adaptation to Economic Systems: Wise Tech Precision Engineering operates in diverse economic systems, adapting to the specific regulations and market dynamics of each. In free-market economies, the company engages in large-scale production to meet consumer demand. In planned or collectivist economies, they may operate under state guidance to support centralized economic planning. Regardless of the economic context, Wise Tech Precision Engineering is a vital contributor to the manufacturing sector.</p> <p>In summary, Wise Tech Precision Engineering Pvt Ltd is a distinguished manufacturing company with a focus on precision engineering. Their commitment to quality, advanced manufacturing processes, and broad industry impact make them a key player in the field of tool manufacturing, contributing to the success of various industries and economies.</p> <p>Key Words: Cost of Capital, stock, risk, industry, returns</p>
--	---

2. INTRODUCTION:

WISE TECH PRECISION ENGINEERING: is a manufacturing industry specializing in the manufacture of "TOOLS." this is known for its precision engineering. Manufacturing it is most likely common way of delivering things for use or deal utilizing machines, gear, and work. The expression can apply to a great many human exercises, from handcraft to innovative, despite the fact that generally typically applied to businesses produce completed things on a major scale. Such completed wares might be utilized to fabricate other, more modern items, like airplane, home devices, or vehicles, or they might be offered to wholesalers, who then offer them to retailers, who at last offer them to end clients (the "Buyer"). Manufacturing happens in many sorts of financial frameworks. Fabricating in an unregulated economy is regularly engaged at large scale manufacturing of things revenue driven deal to clients. Fabricating in a collectivist economy is all the more regularly guided by the state to supply a midway arranged economy. Producing happens under some degree of unofficial in unregulated economy economies. Fabricating happens in many kinds of monetary frameworks. Fabricating in an unregulated economy is normally engaged at large scale manufacturing of things revenue driven deal to clients. Fabricating in a collectivist economy is all the more normally guided by the state supply a midway arranged economy. Producing happens under some degree of unofficial law in unrestricted economy economies. The hierarchical design should ensure that obligation is dispersed to the suitable people without making data bottlenecks, copying or wasting assets. Most firms actually utilize a customary design today. Every association, not with standing can use a mix of five particular methods to sort out its assets.

An organizational structure describes the relationships of resources within a company. It begins with people but also includes materials, money and in formation. A well-designed structure should have

characterized lines of power, channels for the progression of data and a method for control. A few connections are generally long-lasting, similar to the connection between a line laborer and a director, while others can be changed depending on the situation, similar to an impromptu council. Utilitarian Specialization: An authoritative design can be coordinated by capabilities, like designing, fabricating, quality control, deals, and organization.

3. LITERATURE REVIEW

Latif, A. S., & Shah, A. (2021). The point this research decides the result the nature of bookkeeping data on the expense of capital in the organizations recorded on the Pakistan Stock Trade (PSX). The review centres around the basic subjective traits of bookkeeping data referenced in the Articulation of Monetary Bookkeeping Ideas (SFAC) No. 8. These traits involve prescient worth, non partisanship, fulfilment and liberated from mistake. The expense of capitalist estimated utilizing the limited income strategy. Very few assessments have been directed involving the limited income procedure corresponding to arising financial exchanges, when contrasted with created securities exchanges. Information was gathered from the organizations having a place with the nonmonetary area of the PSX from 2001 to 2019. The relapse examination results showed that the characteristics of bookkeeping data — prescient worth, impartiality, fulfilment and liberated from mistake — influence the expense of capital in the methodical example examination of hazard changed portfolio returns likewise uncovered that these subjective properties are certified gamble factors and are not made by chance because of the shortcoming of the market. A strategy ramification of this finding is that potential financial backers ought to think about the subjective traits of bookkeeping data prior to settling on their venture choices.

X Huo, H Lin, Y Meng (2021) Directing institutional financial backers to effectively partake in corporate organization is a hot issue to deal with the internal organization of China's recorded associations. This study desires to give an expansive enthusiasm for the framework that underlies the organization impacts of the heterogeneity of institutional monetary patrons on the cost of capital, and consequence of ownership structure on the association between them. Using an unbalanced board data on A-share kept associations of Shanghai and Shenzhen in China's capital market during the 2014-2019 period, this study reveals how institutional monetary patrons with longer holding period and higher shareholding extent are un favorable associated with the cost of capital in China's capital market. Besides, this concentrate successfully an organizations he coordinating effect of ownership structure in the association between institutional monetary benefactors and the cost of capital. China's state guaranteed will undoubtedly introduce updates at the corporate organization level, and ownership obsession weakens the antagonistic effect of institutional monetary sponsor on the cost of capital. The examination adds to a more significant cognizance of the effects of institutional financial backer's heterogeneity and possession structure on the expense of capital in China. Simultaneously, the review yields helpful implications for the hypothesis and practice of corporate administration. Capital expenditure of the industry possibly characterized as the cost obtaining funds i.e., the rate at which typical of provide the cost investor in company would anticipate receiving payment for their investment. An idea of cost of capital as a markdown rate as a rebate rate and the strategy of its estimation. the open-door

cost of capital (or just, the expenses of capital) for an undertaking is the rebate rate for limiting its incomes.

4. OBJECTIVES

- To study cost efficiency at WISE TECH PRECISIO ENGINEERING PVT.LTD
- To study the calculation of cost structure followed by WISE TECH PRECISIOENGINEERING PVT.LTD
- To find out the cost of various components of capital and how to minimize it
- To study and understand to make investment decision.

5. RESEARCH METHODOLOGY

Research configuration is the plan of conditions for assortment and examination of information in a way that expects to consolidate importance to the exploration reason with economy in technique. it comprises the outline for the assortment, estimation and examination of information. the plan took on in the review is scientific examination.

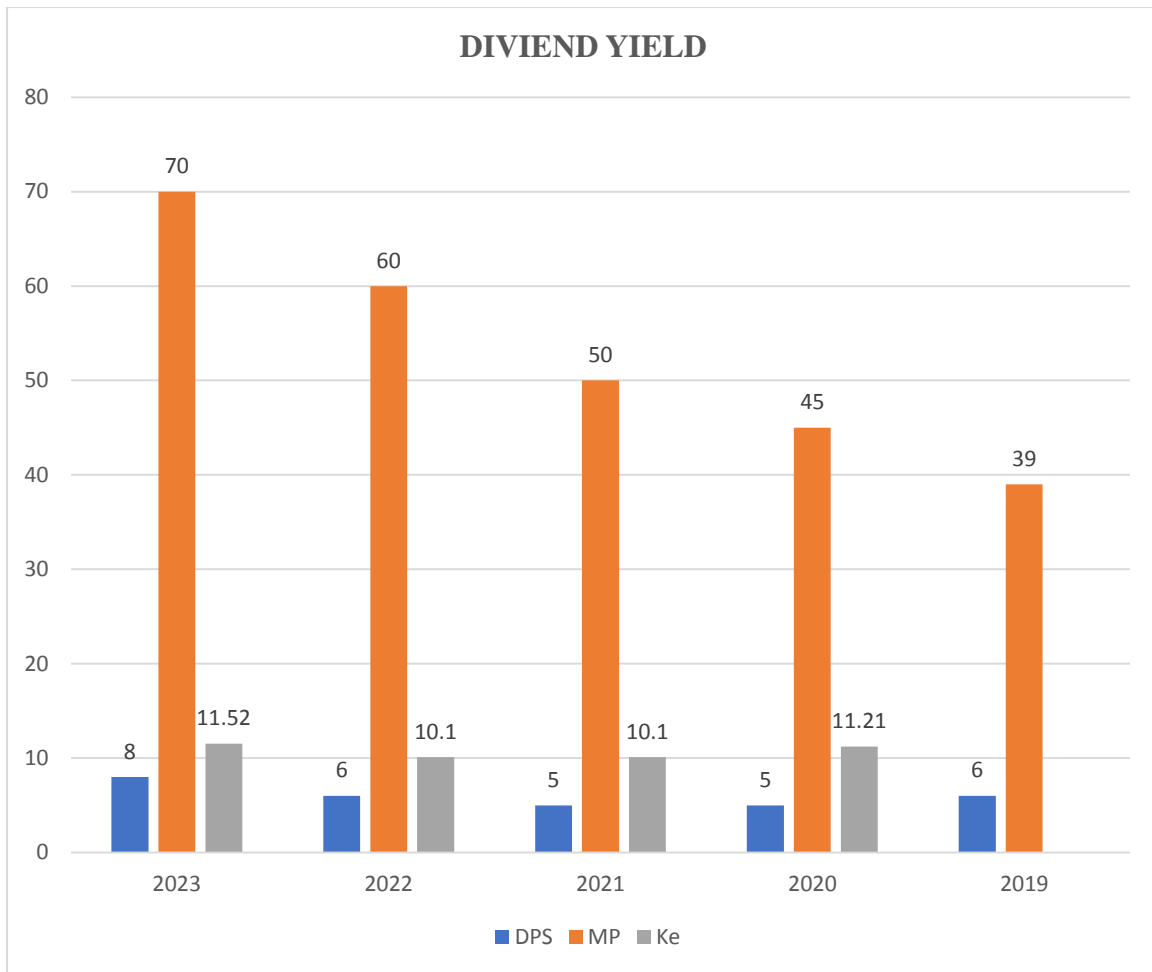
An analytical study is a particular sort of examination that requires the usage of decisive reasoning abilities and the appraisal of information and facts that are applicable to the study. It around understanding the reason impact connections between at least two factors. The scientist attempts to make sense of the motivations behind why and how the import/export imbalance has moved in a specific bearing inside the given time.

Secondary data: based on this study the data is calculated based on internal sources. like financial statement of the company

6. ANALYSIS AND INTERPRETATION

TABLE FOR DIVIDEND YIELD.

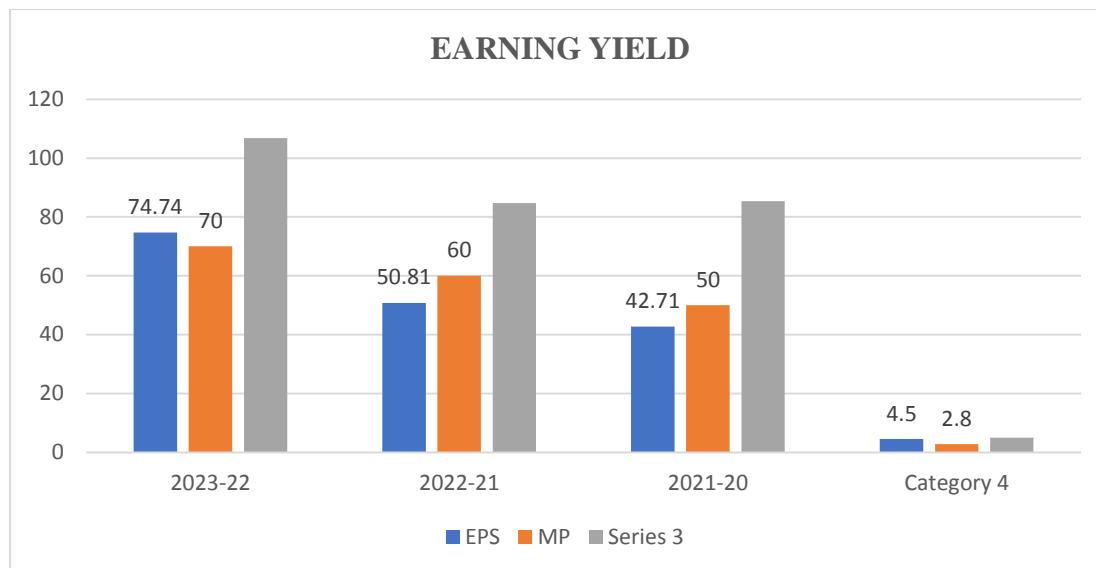
YEAR	DPS (inlac)	MP	Ke
2023	8	70	11.52
2022	6	60	10.1
2021	5	50	10.1
2020	5	45	11.21
2019	6	39	15.48



INSPIRATION: The Table You've Provided The Data For 5years Showing The Dividend Per Share (DPS), Market Price Per Share (MP), And Calculated Equity (Ke) Using The Dividend Yield Plus Growth In Dividend Method. This Technique Considers Both The Current Dividend Yield And The Expected Growth Rate Of Dividends.

TABLE FOR EARNING YIELD METHOD.

Particular	EPS	MP	Ke
2023-22	74.74	70	106.77
2022-21	50.81	60	84.68
2022-21	42.71	50	85.42



INTERPRETATION: In your analysis, you've calculated the cost of equity(K_e) for each year using the Earning Yield Method. This method provides an estimate of the return an investor might expect from owning a share of the company's stock based on its earnings relative to its market price. The higher the cost of equity, the higher expected return financial backers would require for investing in the company's shares.

7.FINDINGS:

Stock Performance: analysis historical price movement of the company equity share. Look for trends, volatility and any significant price changes. Compare the stock performance to relevant benchmarks and industry peers.

Dividend History: study the company dividend history and dividend payout ratio. Consistent dividend payments and a healthy payout ratio can be indicative of a stable and mature company.

Market Capitalization: Consider the company's market capitalization, which is the total value of all outstanding shares. These metrics gives you an idea of the company's size in the market.

Analyst Recommendation: Take into account the opinions of financial analyst sand experts who cover the company's stock. Their research and recommendation can provide valuable insights.

Debt: debt refers to the money borrowed by a company or an individual from external sources to finance its operations or investments. Companies can raise capital by issuing debt securities, such as bonds or loans, which represent a contractual obligation to repay the borrowed amount with interest at specified intervals. Debt is a form of financing that doesn't give possession freedoms in the company. Instead, it creates a liability on the company's balance sheet.

8.SUGGESTION:

Market Interest Rates: The common loan fees on the lookout, including government security yields and corporate security rates, can impact the expense of obligation capital. A higher loan fee climate because of a greater expense of obligation.

Equity Risk Premium: It is additional return expected by investors for investing in stocks over riskfree assets. A company's equity risk premium is influenced by factors such as industry risk, economic conditions, and market sentiment.

Beta: Beta measures a stock's volatility in relation to the overall market. A higher beta indicates higher market risk, which can affect cost of equity capital.

Industry Trends: Industry-specific factors like technological advancements, competition, and regulatory changes can impact of cost of capital.

Capital Structure: The proportion of debt and equity used to finance a company' operations affects its cost of capital. Companies with a higher level of debt might have a lower overall expenses due to the tax deductibility of interest payments.

9. LIMITATION

Assumption-based: Cost-of-capital calculations rely on certain assumptions and estimates, such as the without risk rate, market risk premium, and beta. Changes in these assumptions can significantly impact the calculated cost of capital and affect investment decisions.

Static Nature: Cost-of-capital calculations are often based on historical data and market conditions, making them static in nature. They may not capture rapid changes in the business environment or shifts in risk and return expectations.

Market Fluctuations: The expense of value capital is affected by economic situations and financial backer insights. Vacillations in market opinion can prompt unpredictable expense of capital appraisals.

Complexity: Determining the appropriate cost of capital involves multiple components (cost of equity, cost of debt, etc.) and intricate calculations. Small errors in any of these components can affect the overall accuracy of the estimate.

Varying Capital Structure: industry may have different capital structures, including different levels of debt and equity. The cost of capital may vary depending on the capital structure chosen.

10. CONCLUSION

Calculating the cost of capital involves determining the cost of equity, cost of debt, and potentially the cost of preferred stock, and then weighting these costs based on the company's capital structure. This provides a comprehensive view of the cost funding for the company.

Factors influencing the cost of capital include prevailing market interest rates, the company's risk profile, industry trends, economic conditions, and the company's own financial health. The cost of capital also reflects the opportunity cost of investing in the company compared in comparison to other investment options with comparable risk profiles.

11.REFERENCE

Acharya, V. V (2020) Acharya, V. V., Byoun, S., & Xu, Z. (2020). The sensitivity of cash savings to the cost of capital (No. w27517). National Bureau of Economic Research.

Bastani, S., & Waldenström, D. (2020). How should capital be taxed?. *Journal of Economic Surveys*, 34(4), 812-846.

Berry Stölzle, T. R., & Xu, J. (2018). Enterprise risk management and the cost of capital. *Journal of Risk and Insurance*, 85(1), 159-201.

Bhuiyan, M. B. U., and Nguyen, T. H. N. (2020)

- BRYL and FIJAKOWSKA J. (2020) How does scholarly capital exposure influence the expense of capital? Conclusions from two decades of research. *Electronic Journal of Knowledge Management*, 18(1), pp29-55.
- Buhr, B., Volz, U., Donovan, C., Kling, G., Lo, Y. C., Murinde, V., & Pullin, N.(2018). Climate change and the cost of capital in developing countries.
- Chadha, S., and Sharma, S. K. (2019) Disentangling the transmission channel NPLs-cost of capitallending supply. *Applied Economics Letters*, 26(16), 1333-8.
- Drobetz, W., El Ghouli, S., Guedhami, O., & Janzen, M. (2018). Policy uncertainty, investment, and the cost of capital. *Journal of Financial Stability*, 39, 28-45.
- Franc-Dabrowska, J., Mađra-Sawicka, M., & Milewska, A. (2021). Energy sector risk and cost of capital assessment—companies and investors perspective. *Energies*, 14(6), 1613.
- GLEIBNER, W. (2019) Cost of capital and probability of default in value-basedrisk management. *Management Research Review*, 42(11), 1243-1258.
- He, J., Plumlee, M. A., & Wen, H. (2019). Voluntary disclosure, mandatory disclosure and the cost of capital. *Journal of business finance & accounting*, 46(3-4), 307-335.
- Hellowell, M., & Vecchi, V. (2018). Assessing the cost of capital for PPP contracts. *Public-Private Partnerships in Health: Improving Infrastructure and Technology*, 85-109.
- Houston, J. F., Lin, C., & Xie, W. (2018). Shareholder protection and the cost of capital. *The Journal of Law and Economics*, 61(4), 677-710