

A PROJECT REPORT ON
“RELEVANCE OF NAV METHOD IN VALUATION OF SHARES”

Submitted By

JYOTHI MEGHASHREE K

(4AL21BA037)

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In partial fulfilment of the requirements for the award of the degree of

MASTER OF BUSINESS ADMINISTRATION

Under the guidance of

DR. CATHERINE NIRMALA DAVID

Professor, PG Department of Business Administration

AIET, Mijar



Alva's Institute of Engineering & Technology
Shobhavana Campus, Mijar, Moodbidri, D.K – 574225
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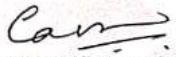
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CERTIFICATE

This is to certify that **JYOTHI MEGHASHREE K** bearing USN 4AL21BA037 is a bonafide student of Master of Business Administration course of the Institute in 2021-23, affiliated to Visvesvaraya Technological University, Belgaum. Project report on "RELEVANCE OF NAV METHOD IN VALUATION OF SHARES" is prepared by her under the guidance of Dr. Catherine Nirmala, Professor PG Department of Business Administration in partial fulfillment of the requirements for the award of the degree of Master of Business Administration of Visvesvaraya Technological University, Belgaum Karnataka.


Signature of Internal Guide


Mrs. Priya Sequeira

DEAN
Dept. of Business Administration
Alva's Institute of Engg. & Technology
MIJAR - 574 225


Signature of Principal
PRINCIPAL
Alva's Institute of Engg. & Technology,
MIJAR, MOODBIDRI - 574 225, D.K.

Shobhavana Campus, Mijar, Moodbidri - 574225, Mangalore, Karnataka, India

☎ 08258-262724 (O), 262725 (P)

✉ principalaiet08@gmail.com

🌐 www.aiet.org.in

DECLARATION

I Jyothi Meghashree K hereby declare that the Project report entitled "Relevance of NAV Method in Valuation of Shares" is a record of independent work carried out by me under the guidance of Dr. Catherine Nirmala David, Professor, MBA department, Alva's Institute of Engineering & Technology, Mijar.

I also declare that this project work is towards the partial fulfilment of the university regulations for the award of the degree of Master of Business Administration by Visvesvaraya Technological University, Belgaum.

I have undergone a summer project for a period of six weeks. I further declare that this Project is based on the original study undertaken by me and has not been submitted for the award of any degree/diploma from any other University/Institution.

Place : Mijar

Date : 4-09-2023

Signature of the Student



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Writing this project report happens to be one of the greatest achievements in this phase of my life. Express my heartiest thanks to those who provided me tremendous support to those who provided me tremendous support and making it a useful firsthand experience.

The Project that I have undertaken independently was a great chance for learning and professional development. Therefore, I consider myself as a very lucky individual as I was provided with an opportunity to accomplish project.

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Last but not the least I would also like to express my thanks to my parents, friends and benefactors who have helped me directly and indirectly throughout my Project.

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EXECUTIVE SUMMARY

The "Relevance of NAV Method in Valuation of Share" project presents a comprehensive analysis of the Net Asset Value (NAV) method as a valuation tool for shares in financial markets. The study involved comparing the intrinsic value calculated through the NAV method with the respective market values of 20 companies' shares. The findings revealed a substantial and consistent gap between the intrinsic value and market value, leading to the conclusion that the NAV method is irrelevant in valuing shares.

The research methodology involved a thorough examination of each company's financial statements and assets to determine their net asset value. The intrinsic value was then calculated using the NAV method by deducting liabilities from the total assets and dividing by the number of outstanding shares. This intrinsic value was compared with the prevailing market price of the shares on various dates to assess the degree of deviation.

Key reasons for the significant gap between intrinsic value and market value, leading to the irrelevance of the NAV method, include; Market Sentiment, Intangible Assets, Market Efficiency, Liquidity and Market Depth and many more factors that the balance sheet of the company does not include.

Based on the findings, the project concludes that the NAV method is not a relevant tool for valuing shares due to its inability to account for market dynamics, intangible assets, and investor sentiment. Consequently, relying solely on the NAV method for investment decision-making may lead to suboptimal choices and missed opportunities for investors.

The study recommends the analysts to consider the inflation, technological changes, and organizational capital. It suggests a more comprehensive approach to share valuation than NAV method valuation. By considering a diverse range of factors and market conditions, investors can make more informed decisions and gain a better understanding of share valuation in the complex financial landscape