



**ASTER PRIME HOSPITAL**

**WARREN BUFFETT'S \$1 TEST**

**MINI PROJECT REPORT**

**EVALUATING CORPORATE FINANCIAL EFFICIENCY: APPLYING  
WARREN BUFFETT'S \$1 TEST TO INDIAN INDUSTRIES**

**VASEEM NAZER**

**Submitted to**

**Jagannada Prashanth Reddy**

**Sr. Manager – Finance & Accounts.**

**Aster Prime Hospital, Hyderabad.**

## **Executive Summary**

The \$1 Test is an evaluation method used by investors to assess how effectively companies reinvest their earnings to create value for shareholders. This analysis involves comparing a company's retained earnings to the change in its share price, aiming to determine if the company generates at least \$1 or ₹1 of market value for every dollar/₹1 retained.

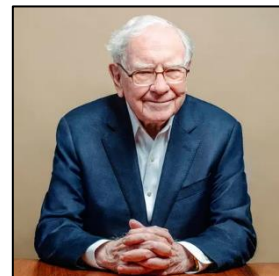
In My study, I examined five companies across different industries to understand their performance using the \$1 Test:

1. JSW Steels demonstrated efficient capital utilization, with a profit of ₹4.47 per ₹1 invested.
2. HDFC Bank demonstrated efficient capital utilization, with a profit ₹1.94 per ₹1.
3. ITC Ltd exhibited strong financial strategies, generating a return of ₹47.16 per ₹1.
4. Aster DM Healthcare Ltd showcased efficient operational practices, with a return of ₹10.50 per ₹1.
5. Maruti Suzuki India Ltd displayed financial strength, generating ₹10.16 per ₹1 invested.

These findings provide valuable insights for investors, highlighting companies' abilities to create shareholder value through effective capital allocation and financial management. Overall, companies that pass the \$1 Test signify potential for growth and efficient use of resources.

## WARREN BUFFETT'S \$1 TEST

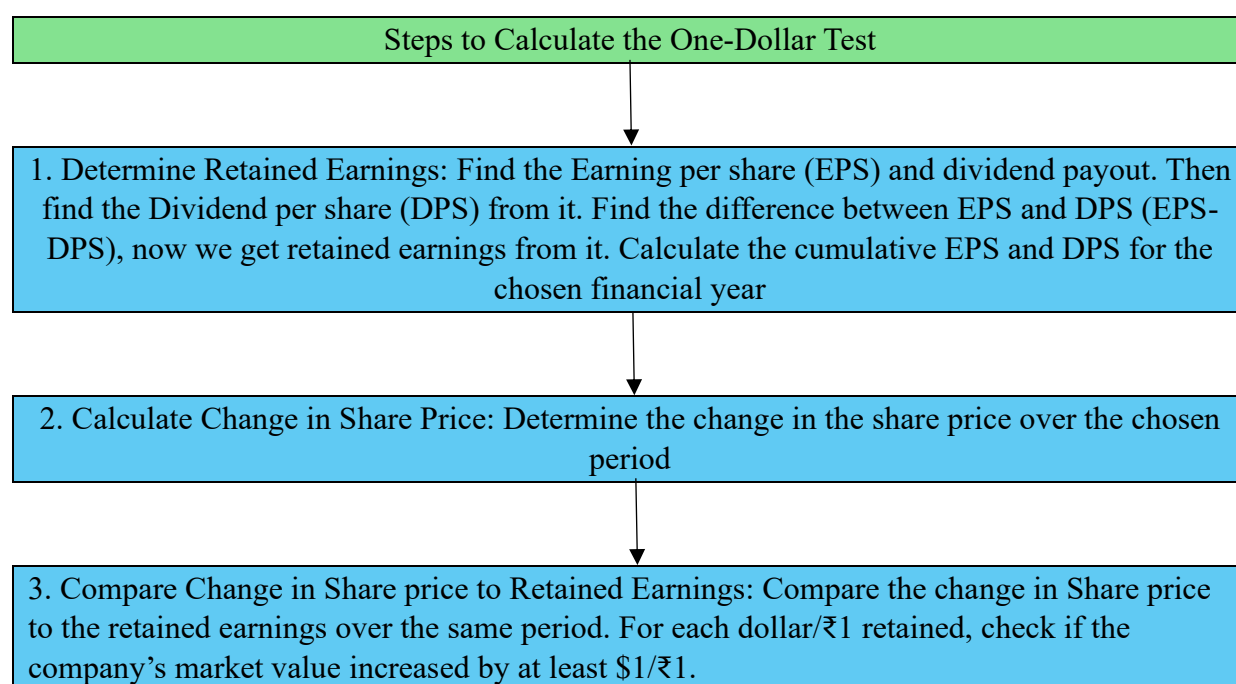
Warren Buffett's "\$1 test" is a straightforward method used to assess a company's ability to generate returns for its shareholders. The essence of the test is to determine if a company can generate at least \$1 of market value for every dollar of retained earnings. Here's a detailed explanation and steps to calculate and understand this concept.



### Understanding the \$1 Test

**Concept:** The one-dollar test checks for each dollar retained by the company, does it create at least \$1 of market value.

**Purpose:** This test helps investors understand whether the company is effectively reinvesting its earnings to generate shareholder value. If the company passes the test, it suggests efficient capital allocation and potential for growth.



$$\text{Change in share price} / \text{Retained earnings} = \geq 1 \$ \text{ or } ₹1$$

## Company Overview

### **JSW Steel**

Industry: Steel Manufacturing

Headquarters: Mumbai, Maharashtra, India

JSW Steel is one of India's leading integrated steel manufacturers. The company is part of the JSW Group, which is among the top business conglomerates in India. JSW Steel has a significant presence in the Indian steel industry with a wide product portfolio that includes hot rolled coils, cold rolled coils, galvanised steel, and pre-painted galvanised steel. The company is known for its innovative and sustainable manufacturing practices and has a strong focus on R&D.



*Jayant Acharya*

### **HDFC Bank**

Industry: Banking

Headquarters: Mumbai, Maharashtra, India

HDFC Bank Limited, established in 1994, stands as a cornerstone of India's banking sector, renowned for its expansive reach, technological innovation, and consistent financial prowess. Offering a comprehensive suite of services spanning retail and corporate banking, treasury operations, and investment services, HDFC Bank has become a stalwart in India's financial landscape. Its commitment to digital banking solutions has propelled customer convenience, ensuring seamless access to banking services through online platforms and mobile apps. HDFC Bank's robust financial performance, stringent risk management practices, and customer-centric approach have earned it a stellar reputation, reflected in numerous accolades and a strong market presence across urban and rural areas.



*Sashidhar Jagdishan*

### **ITC Limited**

Industry: Conglomerate (FMCG, Hotels, Paperboards & Packaging, Agri-Business, Information Technology)

Headquarters: Kolkata, West Bengal, India

ITC Limited is a diversified conglomerate with interests spanning Fast-Moving Consumer Goods (FMCG), hotels, paperboards and packaging, agri-business, and information technology. The company's FMCG portfolio includes popular brands in food, personal care, and lifestyle products. ITC is also known for its



*Sanjiv Puri*

premium hotels and resorts, high-quality paperboard products, and extensive agri-business operations. The company has a strong commitment to sustainability and corporate social responsibility

## **Aster DM Healthcare**

Industry: Healthcare

Headquarters: Dubai, UAE

Aster DM Healthcare is a leading healthcare provider with a network of hospitals, clinics, and pharmacies across the Middle East, India, and the Philippines. The company offers comprehensive healthcare services including primary, secondary, tertiary, and quaternary care. Aster DM Healthcare is committed to providing high-quality medical care and has a reputation for its advanced medical facilities and expert healthcare professionals. The company focuses on delivering patient-centric healthcare services with a blend of technology and compassion.



***Dr. Nitish Shetty***

## **Maruti Suzuki India Limited**

Industry: Automotive

Headquarters: New Delhi, India

Maruti Suzuki India Limited is the largest automobile manufacturer in India and a subsidiary of Suzuki Motor Corporation, Japan. The company is renowned for its wide range of vehicles, including popular models such as Alto, Swift, and Baleno. Maruti Suzuki has a significant market share in the Indian automotive industry and is known for its fuel-efficient, reliable, and affordable cars. The company focuses on innovation, customer satisfaction, and sustainable practices in manufacturing and operations.

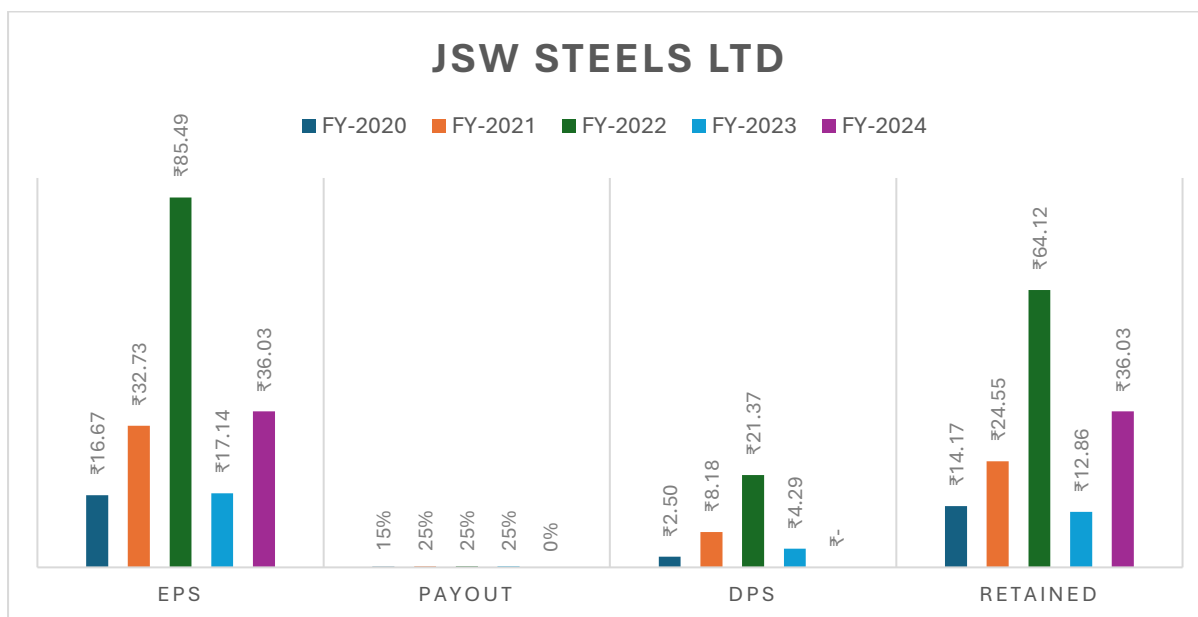


***Hisashi Takeuchi***

## **DATA ANALYSIS AND INTERPRETATION**



Jsw steels	EPS	Payout	DPS	Retained
FY-2020	₹ 16.67	15%	₹ 2.50	₹ 14.17
FY-2021	₹ 32.73	25%	₹ 8.18	₹ 24.55
FY-2022	₹ 85.49	25%	₹ 21.37	₹ 64.12
FY-2023	₹ 17.14	25%	₹ 4.29	₹ 12.86
FY-2024	₹ 36.03	0%	₹ -	₹ 36.03
Total	₹ 188.06	90%	₹ 36.34	₹ 151.72

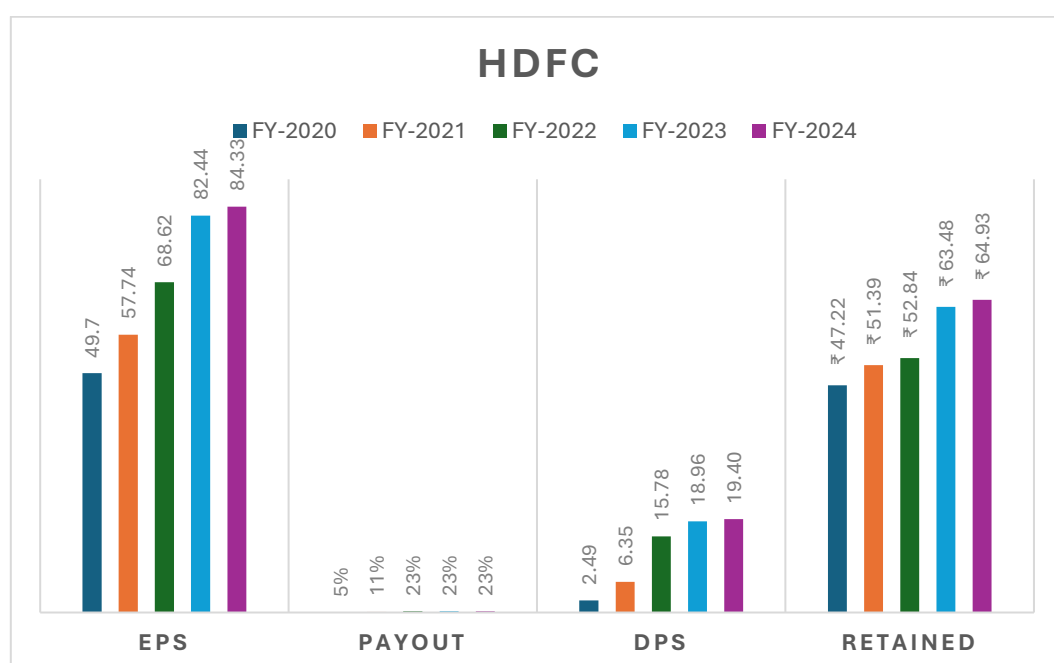


### Interpretation:

From 2020 to 2024, JSW Steel's earnings per share (EPS) went up and down, peaking at ₹85.49 in 2022, then dropping and rising again to ₹36.03 in 2024. The company adjusted its dividend payments, starting with 15% in 2020, increasing to 25% for the next three years, and then not paying any dividends in 2024 to keep all profits for reinvestment. During these five years, JSW Steel kept ₹151.72 out of ₹188.06 in profits and paid ₹36.34 as dividends, focusing on reinvesting profits to grow the company in the future.



HDFC	EPS	Payout	DPS	Retained
FY-2020	₹49.7	5%	₹ 2.49	₹ 47.22
FY-2021	₹57.74	11%	₹ 6.35	₹ 51.39
FY-2022	₹68.62	23%	₹ 15.78	₹ 52.84
FY-2023	₹82.44	23%	₹ 18.96	₹ 63.48
FY-2024	₹84.33	23%	₹19.40	₹ 64.93
Total	₹342.83	0.85	₹ 62.98	₹ 279.86



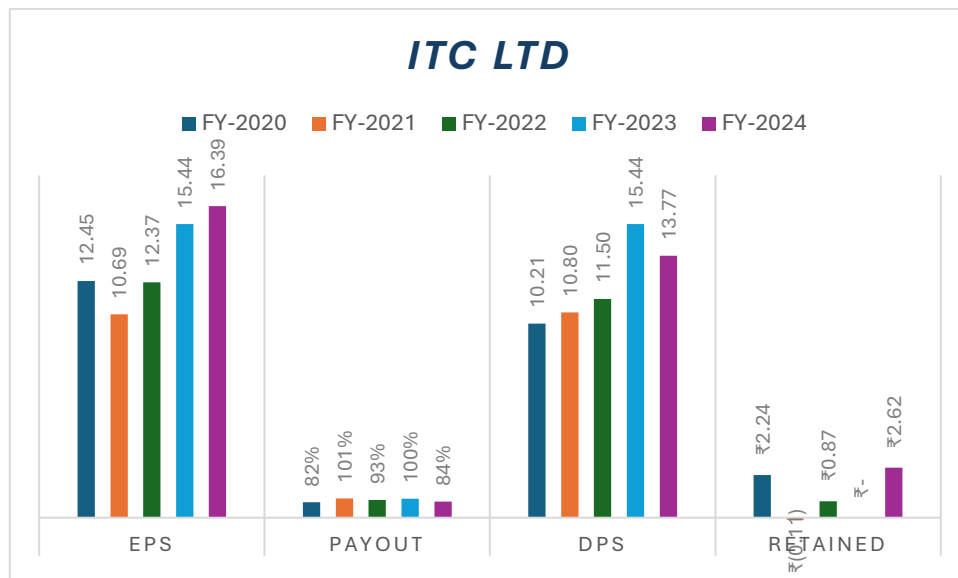
### Interpretation:

HDFC's economic functionality from FY 2020 to FY 2024 has shown appreciable progress, with the profits per share (EPS) increasing from ₹49.7 to ₹84.33. The payout percentage has enlarged from 5% to 23%, resulting in a higher dividend per share (DPS) of ₹2.49 to ₹19.40 over exactly a similar timeframe. At the same time, preserved earnings have grown from ₹47.22 to ₹64.93, indicating HDFC's ability to reinvest in its procedures while consistently rewarding stockholders by way of dividends. These figures jointly illustrate HDFC's robust economic standing and strategic administration of earnings and shareholder returns. Though EPS and DPS have amplified considerably, the board of HDFC has judiciously balanced distributing profits to shareholders and retaining earnings for a longer period of investment in its operations to maintain sustainable progress.





ITC LTD	EPS	Payout	DPS	Retained
FY-2020	₹12.45	82%	₹10.21	₹ 2.24
FY-2021	₹10.69	101%	₹10.80	₹ -0.11
FY-2022	₹12.37	93%	₹11.50	₹ 0.87
FY-2023	₹15.44	100%	₹15.44	₹ -
FY-2024	₹16.39	84%	₹13.77	₹ 2.62
Total	₹67.34		₹61.72	₹5.62

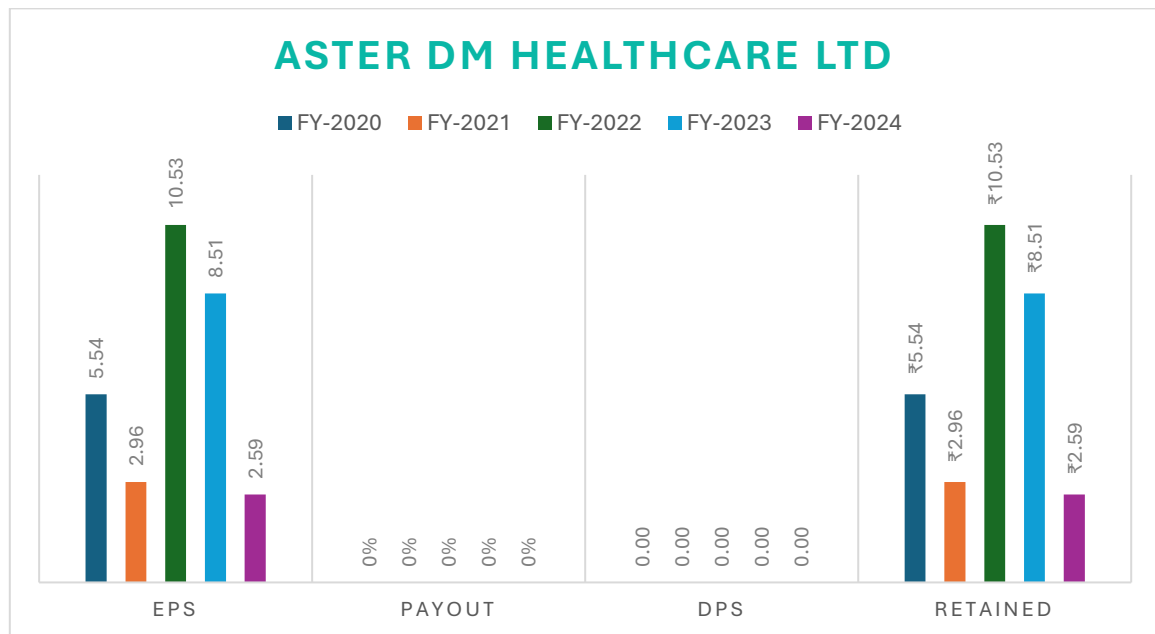


### Interpretation:

From 2020 to 2024, ITC Ltd had relatively stable and growing earnings per share (EPS), increasing from ₹12.45 in FY 2020 to ₹16.39 in FY 2024. During this time, the company's dividend payout ratios varied slightly. The highest ratio was 101% in FY 2021, which means that dividends paid slightly exceeded earnings that year. Over these five years, ITC Ltd paid a total of ₹61.72 as dividends and retained ₹5.62 for reinvestment. This data reflects a consistent approach to rewarding shareholders with a high payout ratio while retaining a small portion of earnings to support future growth.



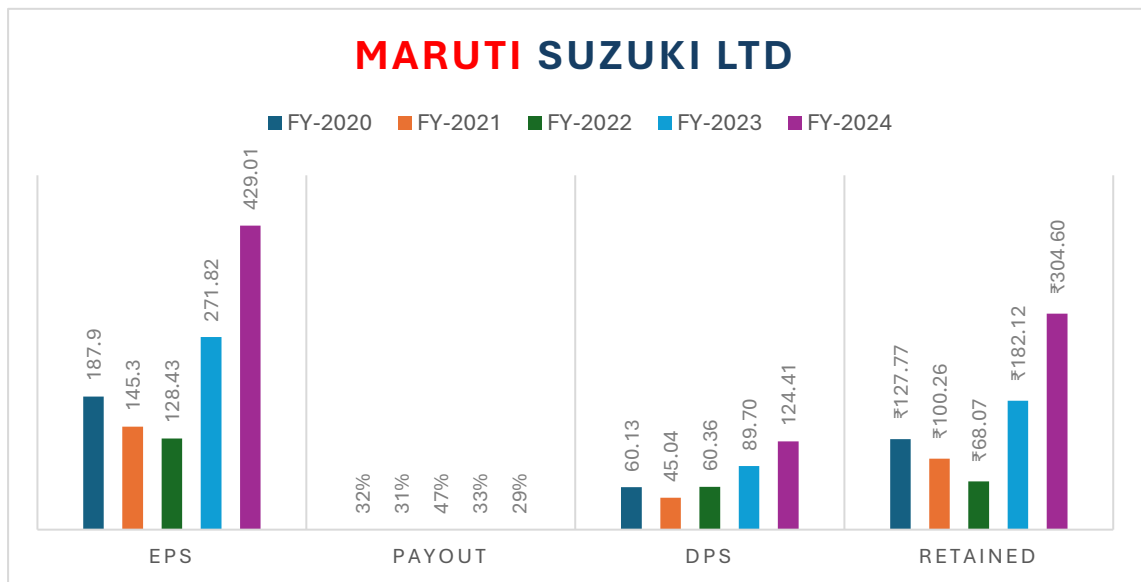
Aster DM Healthcare Ltd	EPS	Payout	DPS	Retained
FY-2020	₹5.54	0%	0.00	₹5.54
FY-2021	₹2.96	0%	0.00	₹2.96
FY-2022	₹10.53	0%	0.00	₹10.53
FY-2023	₹8.51	0%	0.00	₹8.51
FY-2024	₹2.59	0%	0.00	₹2.59
Total	₹30.13	0	0	₹30.13



### Interpretation:

From 2020 to 2024, Aster DM Healthcare Ltd consistently retained all its earnings, choosing not to pay out any dividends (0% payout ratio). The company's EPS varied, with a peak of ₹10.53 in FY 2022 and a low of ₹2.59 in FY 2024. Over these five years, the total EPS amounted to ₹30.13, all of which was retained by the company.

Maruti Suzuki India Ltd	EPS	Payout	DPS	Retained
FY-2020	₹187.9	32%	₹60.13	₹ 127.77
FY-2021	₹145.3	31%	₹45.04	₹ 100.26
FY-2022	₹128.43	47%	₹60.36	₹ 68.07
FY-2023	₹271.82	33%	₹89.70	₹ 182.12
FY-2024	₹429.01	29%	₹124.41	₹ 304.60
Total	₹1162.46	1.72	₹379.65	₹ 782.82

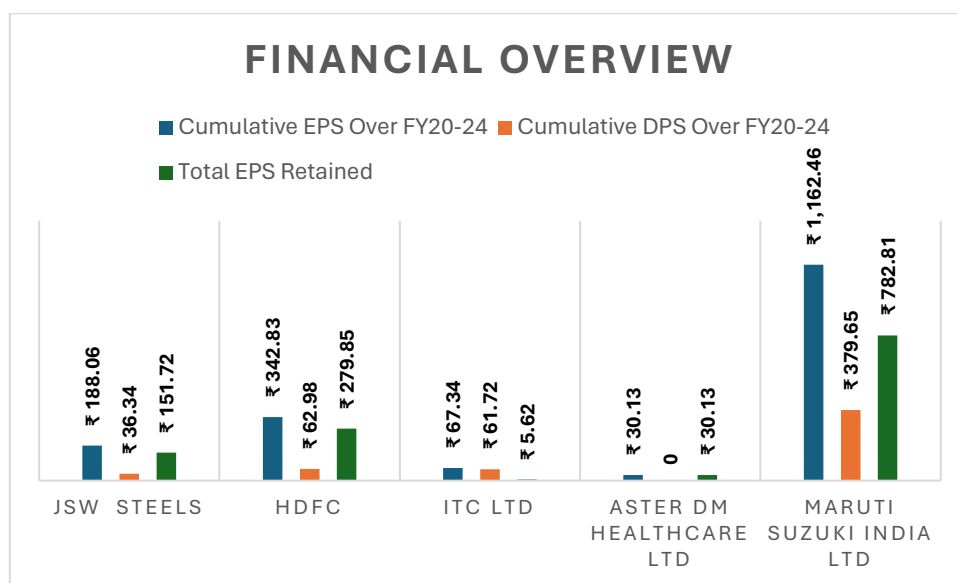


### Interpretation:

From 2020 to 2024, Maruti Suzuki India Ltd Significant progress has been shown in earnings per share (EPS), starting at ₹187.9 in FY 2020 and rising to ₹429.01 in FY 2024. The company maintained varying dividend payout ratios, with the highest being 47% in FY 2022 and the lowest being 29% in FY 2024. Over these five years, Maruti Suzuki paid a total of ₹379.64 as dividends and retained ₹782.82 of its earnings. This reflects a balanced approach, distributing a significant portion of profits to shareholders while retaining a substantial amount for reinvestment to support future growth.

## COMPARATIVE OVERVIEW OF EPS, DPS, RETAINED EARNINGS

Particulars	JSW STEELS	HDFC	ITC Ltd	ASTER DM HEALTHCARE LTD	MARUTI SUZUKI INDIA LTD
Cumulative EPS Over FY20-24	₹ 188.06	₹342.83	₹ 67.34	₹ 30.13	₹ 1,162.46
Cumulative DPS Over FY20-24	₹ 36.34	₹ 62.98	₹ 61.72	0	₹ 379.65
Total EPS Retained	₹ 151.72	₹279.85	₹ 5.62	₹ 30.13	₹ 782.81

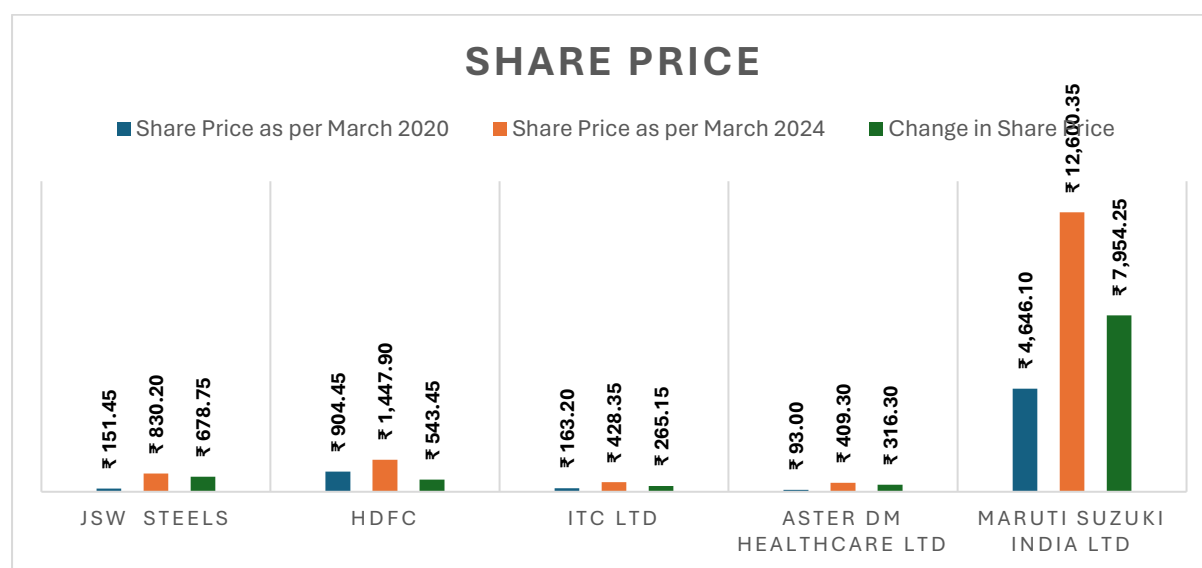


### Interpretation:

Over the span of five years from FY 2020 to FY 2024, various companies have recorded different financial metrics. JSW STEELS accumulated earnings per share (EPS) of ₹188.06, while HDFC reached ₹342.83. ITC Ltd's EPS stood at ₹67.34, Aster DM Healthcare Ltd at ₹30.13, and Maruti Suzuki India Ltd notably higher at ₹1,162.46. In terms of dividend per share (DPS) during this period, JSW STEELS paid ₹36.34, HDFC paid ₹62.98, ITC Ltd paid ₹61.72, and Maruti Suzuki India Ltd paid ₹379.65. Aster DM Healthcare Ltd did not pay any dividends per share (DPS). The total earnings retained (Total EPS Retained) by these companies were ₹151.72 for JSW STEELS, ₹279.85 for HDFC, ₹5.62 for ITC Ltd, ₹30.13 for Aster DM Healthcare Ltd, and a substantial ₹782.81 for Maruti Suzuki India Ltd.

## CHANGE IN SHARE PRICE

Particulars	Jsw steels	HDFC	ITC ltd	Aster DM Healthcare Ltd	Maruti Suzuki India Ltd
Share Price as of March 2020	₹ 151.45	₹904.45	₹163.20	₹93.00	₹4,646.10
Share Price as of March 2024	₹ 830.20	₹1,447.90	₹428.35	₹ 409.30	₹12,600.35
Change in Share Price	₹ 678.75	₹543.45	₹265.15	₹ 316.30	₹ 7,954.25

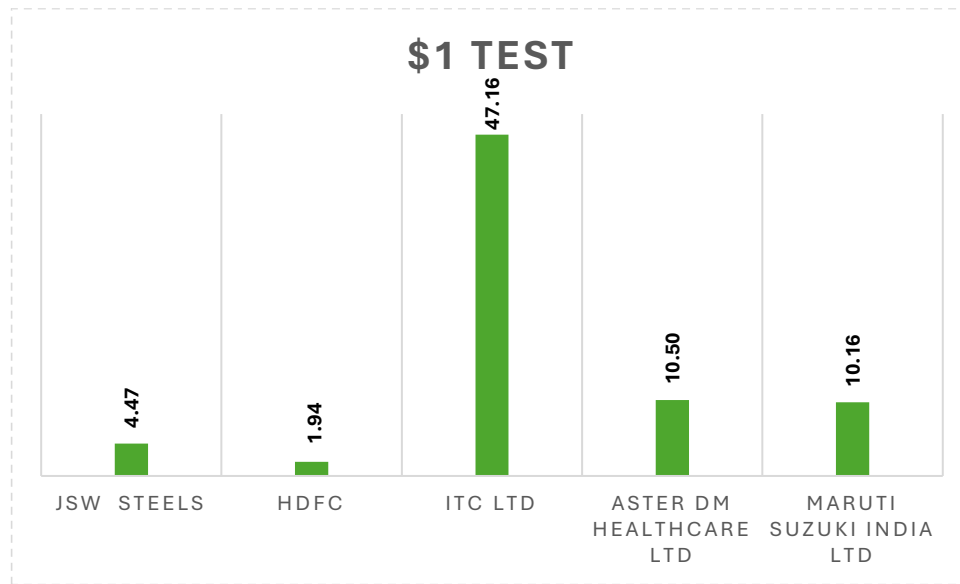


### Interpretation:

Over the five years from March 2020 to March 2024, the share prices of Jsw Steels, HDFC, ITC Ltd, Aster DM Healthcare Ltd, and Maruti Suzuki India Ltd have shown varying trends. Jsw Steels saw a substantial increase from ₹151.45 to ₹830.20, HDFC rose from ₹904.45 to ₹1,447.90, ITC Ltd increased from ₹163.20 to ₹428.35, Aster DM Healthcare Ltd climbed from ₹93.00 to ₹409.30, and Maruti Suzuki India Ltd surged from ₹4,646.10 to ₹12,600.35. This resulted in share price changes of ₹678.75 for Jsw steels, ₹543.45 for HDFC, ₹265.15 for ITC Ltd, ₹316.30 for Aster DM Healthcare Ltd, and a significant ₹7,954.25 for Maruti Suzuki India Ltd, reflecting shifts in market valuations and investor confidence in these companies over the specified period.

## \$1 TEST

Particulars	Jsw steels	VI	ITC ltd	Aster DM Healthcare Ltd	Maruti Suzuki India Ltd
Cumulative EPS Over FY20-24	₹ 188.06	₹342.83	₹ 67.34	₹ 30.13	₹ 1,162.46
Cumulative DPS Over FY20-24	₹ 36.34	63	₹ 61.72	0	₹ 379.65
Total EPS Retained (1)	₹ 151.72	₹279.85	₹ 5.62	₹ 30.13	₹ 782.81
Share Price as per March 2020	₹ 151.45	₹904.45	₹163.20	₹ 93.00	₹ 4,646.10
Share Price as per March 2024	₹ 830.20	₹1,447.90	₹428.35	₹ 409.30	₹12,600.35
Change in Share Price(2)	₹678.75	₹543.45	₹265.15	₹ 316.30	₹ 7,954.25
<b>\$1 Test (2/1)</b>	<b>4.47</b>	<b>1.94</b>	<b>47.16</b>	<b>10.50</b>	<b>10.16</b>



**Interpretation:**

This one-dollar test helps investors understand whether the company is effectively reinvesting its earnings to generate shareholder value. If the company passes the test, it suggests efficient capital allocation and potential for growth, Let's find out, we have taken 5 different industries to this test to understand the industry from a deeper level.

Over the five years from FY20 to FY24, Jsw Steels, HDFC, ITC Ltd, Aster DM Healthcare Ltd, and Maruti Suzuki India Ltd showed varying financial performance. Jsw Steels had a cumulative earnings per share (EPS) of ₹188.06, HDFC had ₹342.83, ITC Ltd had ₹67.34, Aster DM Healthcare Ltd had ₹30.13, and Maruti Suzuki India Ltd had a substantial ₹1,162.46. The change in share prices from March 2020 to March 2024 ranged from ₹678.75 for Jsw Steels to ₹7,954.25 for Maruti Suzuki India Ltd, indicating shifts in market valuations. The \$1 Test, which compares the change in share price to the change in EPS, showed values of 4.47 for Jsw steels, 1.94 for HDFC, 47.16 for ITC Ltd, 10.50 for Aster DM Healthcare Ltd, and 10.16 for Maruti Suzuki India Ltd, highlighting the value creation for shareholders during this period.

## **Conclusion**

The \$1 Test is a valuable method to evaluate how effectively companies reinvest their earnings to create value for shareholders. Our study of five companies from different industries reveals varying levels of success in capital allocation and financial management.

1. JSW Steels: Demonstrated efficient capital utilization, creating ₹4.47 for every ₹1 reinvested.
2. HDFC bank: Showcased efficient operational practices, earning ₹1.94 for every ₹1 reinvested.
3. ITC Ltd: Exhibited exceptional financial strategies, generating an impressive ₹47.16 for every ₹1 reinvested.
4. Aster DM Healthcare Ltd: Showcased efficient operational practices, earning ₹10.50 for every ₹1 reinvested.
5. Maruti Suzuki India Ltd: Displayed strong financial performance, generating ₹10.16 for every ₹1 reinvested.

These findings highlight the companies' abilities to create shareholder value through effective capital allocation and financial management. Companies that pass the \$1 Test, like ITC Ltd, Aster DM Healthcare Ltd, and Maruti Suzuki India Ltd, show potential for growth and efficient use of resources. Overall, the \$1 Test serves as a useful tool for investors to assess the potential of companies to grow and manage their resources effectively.



## REFERENCES

1. Buffett, W. (1984). The Essays of Warren Buffett: Lessons for Corporate America. Lawrence A. Cunningham (Ed.). The Cunningham Group.
2. JSW Steel. (2020-2024). Annual Reports. Retrieved from [JSW Steel Annual Reports] (<https://www.jsw.in/investors/steel>)
3. HDFC Bank. (2020-2024). Annual Reports. Retrieved from [HDFC Annual Reports] (<https://www.myvi.in/investors/financials>)
4. ITC Limited. (2020-2024). Annual Reports. Retrieved from [ITC Annual Reports] (<https://www.itcportal.com/investor/annual-reports.aspx>)
5. Aster DM Healthcare Limited. (2020-2024). Annual Reports. Retrieved from [Aster DM Healthcare Annual Reports] (<https://www.asterdmhealthcare.com/investors/annual-reports>)
6. Maruti Suzuki India Limited. (2020-2024). Annual Reports. Retrieved from [Maruti Suzuki Annual Reports] (<https://www.marutisuzuki.com/corporate/investors/annual-reports>)
7. Market Data from NSE India. (2020-2024). Retrieved from [NSE India] (<https://www.nseindia.com/>)
8. Screener.in. (2020-2024). Stock Prices and Historical Data. Retrieved from [Screener] (<https://www.screener.in/>)
9. Reddy, J. P. (2022). A study on Warren Buffett's \$1 Test on Different Industries in India.