

ABSTRACT

Indonesian's interest in investment of shares in the capital market is starting to increase, this phenomenon is in line with the positive economic growth and the development of information technology. Stock is one of the financial instruments that has a high risk high return characteristics. Stock prices fluctuate in value, due to various factors and information that circulate on the stock exchange

This research aims at estimating the fair value of stocks in three automotive and component companies listed on the Indonesia Stock Exchange with the highest market capitalization value. This estimation can be used to provide the investors with the recommendation on buying, holding, or selling their stocks.

This research used Discounted Cash Flow (DCF) method with the Free Cash Flow to Firm (FCFF) approach and the Relative Valuation (RV) method with Price to Earnings Ratio (PER) and Price to Book Value (PBV) approaches. These methods were applied to three scenarios, namely the pessimistic, moderate, and optimistic scenarios. With the historical data of the company from 2015 to 2019 as the basic projections for the period 2020-2024.

The research results reveal that by using the DCF-FCFF method, ASII was in an overvalued condition for the pessimistic scenario and an undervalued condition for the moderate and optimistic scenario, IMAS was in an undervalued condition in all scenarios, and SMSM was in an overvalued condition in all scenarios. In addition, by using the RV-PER method, an overvalued condition was obtained in all scenarios. Lastly, by using the RV-PBV method, ASII was in an overvalued condition in all scenarios, IMAS was in an undervalued condition for the pessimistic scenario and an overvalued condition for the moderate and optimistic scenarios, and SMSM was in an overvalued condition in all scenarios.

The contribution of this research in literature is by one of its purpose as reference in future research, or it can be used by adding or completing the research variables to make more complex calculations outcome. In addition, the results of this study can also provide recommendations for investors regarding company shares, to give better insight as to whether the invertors should buy, hold, of sell the shares.

Keywords: *Discounted Cash Flow, Relative Valuation, Valuation.*