

Bij Investment

Consultants

Fundamental Analysis

Intro



Type of Analysis

- ✿ Fundamental Analysis
- ✿ Technical Analysis
- ✿ Rational Analysis

Difference

- ✿ Technical Analysis looks at the Price Movement of a security and uses this data to predict its Future Price Movements.
- ✿ Fundamental analysis, looks at Economic Factors, known as Fundamentals.

Difference

✿ Charts V/s Financial Statements

- ❖ Income Statement or P&L Statement
- ❖ Balance Sheet
- ❖ Cash Flow Statements / Funds Flow Statements

✿ Time Horizon

✿ Trading V/s Investing Concept

✿ Analysis Application TA V/s FA

Data

- ✿ Fundamental analysis uses public data to evaluate the value of a stock or any other type of security.
- ✿ **For example**, an investor can perform Fundamental Analysis on a **Bond's Value** by looking at **Economic Factors** such as **Interest Rates** and the overall state of the Economy, then studying information about the Bond Issuer, such as Potential changes in its Credit Rating.

Data

For stocks, Fundamental Analysis uses

- ✿ Revenues,
- ✿ Earnings,
- ✿ Future Growth,
- ✿ Return on Equity,
- ✿ Profit Margins,
- ✿ Potential for Future Growth.

Focus

Major Focus of Fundamental Analysis is on

- ✿ Intrinsic Value of a Company
- ✿ Price is Overvalued or Undervalued

Major Focus of Technical Analysis is on

- ✿ Market Price
- ✿ Overbought or Oversold,
- ✿ Near Support or Resistance

Myths

- ✿ Fundamental Analysis is for Long Term only like 5 Years-10 years
- ✿ Large cap stocks are Safe Stocks
- ✿ Stock market is like a casino
- ✿ This stock is Best. Let's borrow money to buy more of it

Myths

- ✿ IPO = Quick money
- ✿ Investing the way fund managers do is the smartest thing to do for small investors
- ✿ I am too old to invest
- ✿ I am too young to invest
- ✿ You have to be a genius to make money in the stock market

Myths

- ✿ This stock is down 90%, how much it can fall more.
- ✿ I won't sell until I recover my capital.
- ✿ It must be right since it's in News Paper
- ✿ It's different this time
- ✿ 99% of investors don't read annual reports? So why should I?

Terminologies

- ✿ Investing : Value - Growth - GARP Investing
- ✿ Top Down - Bottom Up Approach
- ✿ Absolute Valuation - Relative Valuation
- ✿ Economy Cycle: Boom-Recession-Depression
- ✿ Industry Cycle: Startup-Growth-Maturity-Decline
- ✿ Company Analysis : Qualitative-Quantitative

Terminologies

- ✿ Sales or Revenues
- ✿ Cost of Goods Sold (COGS)
- ✿ Gross Profit
- ✿ Selling, General and Administrative Expenses (SGA)
- ✿ Depreciation
- ✿ Amortization
- ✿ Earnings Before Interest, Tax and Amortization (EBITDA)
- ✿ Profit After Tax (PAT) or Net Profit After Tax (NPAT)
- ✿ Gross Profit Margin / Net Profit Margin (GPM / NPM)

Terminologies

- ✿ EPS
- ✿ PE – Price to Earning (Total Base and Per Share Base)
- ✿ PS – Price to Sales
- ✿ PB – Price to Book
- ✿ PC – Price to Cash
- ✿ Earnings Yield
- ✿ ROE
- ✿ ROCE
- ✿ Book Value

Terminologies

- ☀ DE – Debt to Equity
- ☀ Dividend Yield
- ☀ IPO Analysis
- ☀ Promoter Holding
- ☀ Institutional Holding
- ☀ Pledge Ratio
- ☀ Sales Growth
- ☀ Profit Growth
- ☀ Earnings Growth

Thank You!