# Fundamental Analysis

## Economy Analysis

### GDP (Gross Domestic product)

Higher GDP will be better for any country

### Inflation

Two much and Too less is very bad for the county. Steady Inflation is linked with a steady growth of any county.

### Forex reserve position

Basically it is the emergency fund for any country. If a country has less forex /emergency fund then it might go to bank rapt.

Higher the forex reserve is definitely good for any economy.

Forex is built slowly and steadily if the **Balance of payment** of any country is good.

### Balance of Payment (BOP)

If the Export is higher and import is lower as a surplus BOP vice-verse called as deficit BOP.

India is a deficit BOP.

## Industry Analysis

If we take Electricity Industry, we have:-

1. Electricity Generation
2. Electricity Transmission.
3. Electricity Distribution.

## Company Analysis

### What is Debt to Equity Ratio and ROE?

<https://www.gurufocus.com/term/deb2equity/INFY/Debt-to-Equity/Infosys>

ROE :- Is basically means how much profit it generate from the equity.

ROE = Net Income / Total Equity

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Which means little bit of debt is good for the company.

Problem will rise when the profitable goes down. See the below example

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**ROCE = (Profit / Equity+ Debt) \* 100**

**ROE = (Profit/Equity)\*100**

Now we can see how ROE gets due to the composition of debt and equity. **Simply speaking if the profit is less than the company with high debt to equity will be in great problem.**

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### What is P/E ratio?

P/E = **Price of Share / Earnings per share of the company**

**Earnings per share** = **PAT (Profit after Tax) / No of share**

**If P/E Ratio is 10, that means investors is ready to pay 10 times as compared to the current market price.**  As a rule lower P/E Ratio means that the stock is cheap but there can be exception

**Is 10 times is really high or low? For that we can compare:-**

1. With the competitor.
2. With Industry P/E.

Check the Nifty P/E <https://www1.nseindia.com/products/content/equities/indices/historical_pepb.htm>

High Nifty P/E means their prices of nifty stocks moved a lot faster as compared to the earning of these nifty companies.

**History said that if the Nifty P/E is above 21 that the market is corrected means it goes down again. And lesser than 16 is low.**

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### What is P/B Ratio?

**P/B = Price of Share / Book Value per share**

**Book Value = Assets – liabilities.**

Assets: - all machinery, plant, land, car etc. which helps in the business of the company.

Liabilities: - all debt, loan etc. things which company has to return to other person, which does not belongs to the company.

**Book value per share = Book Value / Total share**

**Lower P/B ratio is good and cheaper, but technology companies will have higher P/B value as their will be no assets for them.**

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### PEG (Price Earning Growth) Ratio

If the P/E is more than growth rate

PEG Value less than 1, then the stock price is cheap

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### Price to Cash Flow Ratio

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### What is Pledging of Shares?

Pledging of Shares means companies takes capital/loan from investors/bank with of replacement/security from the Shares of the company.

### What is Enterprise Value?

EV = (Market Capitalization + Debt) - Free Cash

**EV = (Equity + Cash) - Debt**

Market Capitalization = Total No of Share \* price of each share

### Cash Flow

Two types of Cash Flow:-

1. Operation Cash Flow :- Money that we get from hardcore business Example:- 60 crore
2. Free Cash Flow: - Operation Cash Flow + Money from sale of Assests – Amount required for fixed assets.

E.g:- 60 – 20 = 40 crore

**If the Free Cash Flow is positive, better the company. But negative is not bad at all sometimes company needs to expand. Mostly in bank the Free Cash Flow will be in negative as they give loans to the people**

### OPM

Operating Profit Margin

Higher the OPM better is the company

### EPS

Earnings per share

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### CAGR (Compound Annual Growth Rate)

Percent growth on the ROE,

### EBIT (Earnings before interest and taxes) and EBITDA (Earnings before interest taxes depression and Atormization)

EBIT and EBITDA comes under profit and loss statement sheet of the company

EBIT = Net Profit + Interest + Tax

EBITDA = Net Profit + Interest + Tax + Depreciation + Amortization

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### EV/ EBITDA

Less the value, better the company

Just like the [P/E ratio](https://www.investopedia.com/terms/p/price-earningsratio.asp) (price-to-earnings), the lower the EV/EBITDA, the cheaper the valuation for a company. Although the P/E ratio is typically used as the go-to-valuation tool, there are benefits to using the P/E ratio along with the EV/EBITDA. For example, many investors look for companies that have both low valuations using P/E and EV/EBITDA and solid [dividend](https://www.investopedia.com/terms/v/variability.asp) growth.

### Balance Sheet

Right from starting of the company till today everything will be written on the balance sheet.

As on 31st March is the balance sheet of every year, which uses to discuss with the broad of member.

**All Capital Expense added in the balance sheet.**

### Profit/Loss Account Sheet

For one year only. Starting from 1st April to 31st March

**All Revenue Expense added in Profit/Loss Account.**

### Asset

Anything the company owns.

### Liability

Any the company owes.

### Revenue Expense

Any expenditure/expense, the benefits of which get exhausted before the balance sheet date.

**We can say them as a liability.**

E.g.:- Labors salary, electricity bills etc.

### Capital Expense

Any expenditure/expense, the benefit of which goes beyond the balance sheet date.

**We can say them as an asset.**

E.g.:- AC, Laptop, Furniture, building etc.

# Basics

## LTCG

Long Term Capital Gain: - If we are holding the stock for more than year and getting profit from it. For that we no need to pay tax also. **Tax free up to 1 Lakh, more than 10%.**

## Dividend

Return on invest in shares. It is not mandatory to give dividend its company’s decision, whether to declare dividend or not. **Tax free up to 10 lakhs, more than 10%.**

## Face Value

The original price by which the share was bought by the promoter of the company.

## Equity Capital

FaceValue \* No of Shares.

Equity Capital – legal capital that must be maintained in the company.

**Funds over and above the equity capital can be distributed to investors as dividend.**

## Book Value

Accounting value of shareholder’s equity.

Book Value = Tangible Assets (Fixed and current assets) – Liabilities / No of Shares

In Oil, Manufacturing Company will have higher book value. Whereas In technology company book value will be lower as technology is a asset.

## Stock Split

The face value of the share is split. No of shares will increase proportionally.

For example for 50K for face value 2, now for split it half the face value to 1, then automatically company shares will increases to 1L.

Now automatically the stock price will be half of the previous price.

And also Face value can be minimum 1 and also multiple of 1.

## Promoter

Promoter is basically who starts the company. This may call as Founder of the company.

## Turnover / Topline

Total Sales of the company.

## Profit / Bottom-line

Turnover – Expenses = Profit

After deducting all the expenses from the Turnover is called as profit. Generally profit after tax is called bottom-line

## Bonus Ratio

1:25 means one free share for every 25 share held. We can buy the share one day before the ex-bonus-date for getting the bonus.

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**Announcement Date**: - Date on which the company announces bonus/split.

**Record Date:** - Date on which we must have shares on d-mart account to enjoy bonus share/split.

**Ex-Bonus Date**: - Date on which shares starts trading at a revised price.

## Security Market

* Primary market: - IPO
* Secondary market: - Investors to investors

## Necessary Account

1. D-mat
2. `Trading
3. Saving

## Contract notes in the share

1. No of shares.
2. Settlement date.
3. Trade date.

## Stock Exchanges

1. NSE: - National stock exchange.
2. BSE: - Bombay stock exchange.
3. MCX: - Basically it is commodity market, to buy gold, silver, metal, food grain etc.

## Investors

1. RII (Retail individual investors):- Public Individual who invest in IPO’s less than 2L rupees.
2. HNI (High Net wart individual) who invest in IPO’s greater than 2L rupees.
3. Dll(Domestic Institution Investors) :- Banks, Insurance Policy, Mutual Funds
4. FII/FPI (Foreign Institution Investors)

## Issuers

Issuers are companies and other entities that seek admission for their securities to be listed on the stock exchange.

## Clearing house

Every stock exchange will have clearing house who maps stocks between buyer and sellers.

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## Depositories

**To converts physical share into dematerialized share.**

For securities to be eligible to trade in the secondary markets, it should be held in electronic or dematerialized form.

**NSDL** (Notional securities depository ltd) and **CDSL** (Central Depository service ltd) are the two depositories in India.

## Depository participants (DPs)

DP’s are nothing but brokers.

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## LTP (Last Traded Price)

Price the share is traded at the end of the day.

## Pre-Opening Market Session

It is a 15 mins session from 9 to 9:15 am, to absorb heavy fluctuation in the market.

## AMO (After Market Order)

Order place between 4PM to 9AM, we can place order **but it will execute at 9:15AM in the AM**

## Gap up Opening and Gap Down Opening and Unchanged

Gap-Up-Opening: - IF the share price opens at a price higher than previous day’s closing price.

Gap-Down-Opening: - If the share price opens at a price lower than previous day’s closing price.

## Volumes

Number of shares which are traded on a specific day.

## FII and DII

<https://www.moneycontrol.com/stocks/marketstats/fii_dii_activity/index.php>

* FII (**Foreign Institutional Investor**):- A foreign institutional investor (FII) is an investor or [investment fund](https://www.investopedia.com/terms/i/investment-fund.asp) investing in a country outside of the one in which it is registered or headquartered. The term foreign institutional investor is probably most commonly used in India, where it refers to outside entities investing in the nation's financial markets.
  + E.g.:- J.P Morgan, Morgan Stanley etc.
* DII (**Domestic Institutional Investors**):- Domestic institutional investors are those institutional investors which undertake investment in securities and other financial assets of the country they are based in. e.g.:- Mutual Fund, bank, insurance etc.

Based on FII and DII sales and purchase, we can predict what we can do.

## Upper Circuit and Lower Circuit

* Upper Circuit: - Only buyers no sellers
* Lower Circuit: - Only sellers no buyers

## Debentures

It is not but a financial instrument through which the owner of the company can raise funds, the person who gave money to the company is known as **debentures holder**. Person in return will get fixed rate of interest.

**Advantages:-**

1. Fixed rate of interest.
2. Rate of interest is high than bank’s FD.

## Divestment

Divestment is selling own stake that is investment in a company.

If a government sells it stake/investment in a specific company.

# Technical Analysis

Technical Analysis based one fact that history repeats itself.

“I believe that the future is only the past again, just entered in another gate”

1. Line Chart

Drawback of line chart it talks only about the closing price, it does not talk about the open price, high price, low price

1. Candlestick Chart

Higher volume with an increasing share price is always consider to be a positive sign

* 1. Doji Candlestick (Indecisive):-

Neither the buyers able nor the sellers able to win.

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* 1. Hammer Candlestick (Bullish)

Sellers are taken it down, but finally the buyer takes it to upper end. Typically bullish type of candle.

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* 1. Shooting-star Candlestick (Bearish)

Closing and low is same, buyers try to take it higher but finally sellers took charge to get lower. Finally closing price is same a low price.

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# Appendix:-

1. If any company share 20K brought and 20K sell, then the volume is 20K
2. The value will be volume \* price of the stock
3. Upper Circuit :- Only Buyers no sellers
4. To check dividend, stock split etc. <https://www.bseindia.com/corporates/corporate_act.aspx>
5. If we buy any stock it will reflect after two days in dmart account and if we sell after 2 days we will get the money in the account.
6. A person can max 5% of the share for a company without a disclosure, otherwise SEBI will act on this which might require giving penalty.
7. market cap to gdp on average 78 % <https://www.gurufocus.com/global-market-valuation.php?country=IND>. Now in 2020 it is 52. If it’s goes above it will definitely fall down.
8. Swing Trade, future trade, Option trade
9. Check the Depository of CDSL <https://web.cdslindia.com/myeasi/home/login>
10. Charge for sell in zerodha <https://zerodha.com/brokerage-calculator#tab-equities>
11. NPS opening <https://npscra.nsdl.co.in/>
12. <https://www.indiainfoline.com/>

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# Business Franchises

* SanjivaniPharmacy

<https://docs.google.com/forms/d/e/1FAIpQLScOOOVXP1DUe46B_UVmS2OrFxGni2sc4hBD4q7N_wJ3aT0Twg/viewform>