# Share Market

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**© RAJAT KUMAR**
https://www.linkedin.com/in/imRajat/
https://github.com/im-Rajat

**Market Cap :** Share Value * No. of Share

**P/E Ratio (Price to Earnings Ratio) :** Share Value / EPS

**EPS (Earning per Share) :** Net Profit (ER) / No. of Shares

**Enterprise Value :** Market Cap - Cash + Debt

**Standalone :** Define your own company only and it's profit
**Consolidated :** Define your own company + your investment + all profile (more useful than Standalone)

**P/B Ratio (Price to Book Value Ratio)** : Share Value / Book Value

**Book Value** : Asset Value that company have. If a company decide to sell itself. Then the value of per share asset value is Book Value (Practically not happen)

**Dividend Yield :** The companies which doesn't require more investment/money in future will provide more dividend yield to their shareholders.

**Dividend :** One Part of Profit earn by company to give in to their shareholders

**Face Value :** Initial value of per share (Initial Invested Amount / No. of Shares)

**Promoter Holding :** Percent of shares of company hold by owner/promoters. (Should be greater than 35-40% except bank and professionally managed company (a company created by many other companies))
**Promoter Pledge :** Promoter Holding shares that are mortgage (loaned). (Should be less).
=> Compare Promoter Holdings with previous years. If increasing that's good

**PAT Margin (Profit Margin) :** ((Selling Price - Cost Price) * 100) / (Selling Price). Buy = Rs.10, Sell = Rs.15, Profit Margin % = 33.33% (Calculated on Selling Price)
**Mark Up Percentage :** ((Selling Price - Cost Price) * 100) / (Cost Price). Buy = Rs.10, Sell = Rs.15, Mark Up % = 50% (Calculated on Cost Price)

**ROE (Return on Equity) :** Invested 100 rupees and total amount become 200 rupees. 200-100=100% is ROE

Possible : Less PAT Margin more ROE. Selling at less price which means more products can be sell = more profile = more ROE

**Equity :** Giving stakes/share holding to person while borrowing money
**Debt :** Taking Loan, Return money to the bank/person with interest

**Total DEBT/EQUITY (X) :** Should be very less, ideally 0. (Not apply to Banks, landing companies)

Good Company : Good ROE (>20) (more important than PAT Margin). Debt also should be less.

**Asset Turnover (X) :** You had buy a machine at Rs.100 then sell product made using that machine of Rs.500. That's the asset turnover. Turnover of a company using its assets. More asset turnover, more it's good.

**Cash Cycle (Days) :** Also known as cash conversion ratio. The difference in investing money and selling/getting profile. Less cash cycle more it's good.

**Split :** Splitting the face value, to decrease the share price. More no. of shares.

**Bonus Issue** : will issue more shares to customers, Increase the no. of shares with decreasing the face value. But it will decrease the book value.

**Profile & Loss statement and Cashflow :** Compare total of Net profit in profile & loss statement with operating cash flow in cashflow, if net profit >>>>>>>> cash flow then the company showing got profit but didn't receive in cash. 4-5 % difference is fine. (compare for last 5 years)

**Rights Issue :** will give rights to shares holders to buy more shares in discounting prices. Problem is net profit is also divided with no. of shares. Bad for an investor, doesn't matter you apply or not in most of the cases.

**Baking Share Market Analysis :**

**CASA % (Ratio) :** Percentage of Total current + saving accounts (less interest) to total deposits in a bank. High % is good.

**NPA % (Non-Performing Assets) :** Net NPA Ratio, Bank give loan of 100 rupees but receives only 99 back. 1% is NPA. Less % is good.

**Cost of Liabilities % :** Average total money gathered (received deposit), its average interest give to customer. Less % is good.

**Advances Growth % :** How much bank is grow to give more loan to customers. High % is good. Depend on CAR %.

**CAR % :** Capital Adequacy Ratio, Money bank have to give loan. High % is good. (16-17 % is good). (Less than 12% is dangerous.)

**Contingent Liabilities :** Loss that's not confirm but can happen and then require money to give.

**NIM (Net Interest Margin) :** Total Interest given by Bank. (Total Interest Received - Total Interest Given) %

**Spread :** Difference between the interest given and taken.

**ROA % (Return on Assets) :** Minimum 1 % must. If 2% it's really good.
What are Assets for a Bank : Loans/Money given by Bank are their assets. (need to well diversified)
Liabilities : Deposits received from customers that need to return. (need to well diversified)

**ROCE (Return on Capital Employed) :** Return on Equity + Debt (All money) (Need to pay the interest as well as it include debt/loan)

If Debt is Rs.0 look into ROE, High Debt look into ROCE.

Equity = Share Capital + Total Reserves
**ROE** = Net Profit / Equity (interest not included)
Less Total Reserve can be used to increase ROE. (Check Total Reserve and div yield also while checking ROE). High dividend can be used to show higher ROE.
**ROCE** = Operating Profit / Equity + Borrowings (debt) (interest included)

Total Reserve = Profit earned that's not windrow, instead invested in business.

**Valuation Ratios :**
**P/E Ratio (Price to Earnings Ratio) :** Share Value / EPS
**PEG Ratio :** PE Ratio / Profit Growth (<1 or near 1 is Good) Use in companies where earnings are stable
**Price to Cash Flow :** If Share Value / Price to Cash Flow is < EPS (Cash received is less compared to EPS)
**Cash Flow per Share :** Share Value / Price to Cash Flow

**Interest Coverage (%) :** No. of times profit company gaining against interest of loan (Operating Profit / Interest) Greater is better. Minimum 4-5 %

**Quick Ratio (X) :** Company had taken short term loan/liability. (Must greater than 0.8, 1 is good)

**Some Terms need to check before Investing a Company** : Profit Growth, CFO/PAT (Must greater than 0.8, 1 is good), Debt Equity (0 is perfect), Sales Growth, ROE (Minimum 15%, 18% is good), ROCE, Interest Coverage, Quick Ratio, Enterprise Value, P/E.

**Holding Company :** Those company who invest in other companies.
**Sum of Parts Valuation :** Evaluation of investment of individual value.
**Subsidiary Company :** Company A have more than 50% shareholdings of a company B. Then Company B is subsidiary of Company A.
**Associated Company :** Company A have more than 20% and less than 50 % shareholdings of a company B. Then Company B is associate of Company A.
**Sister Companies :** The Companies whose parent company is same.

**P&L Statement (Profit and Loss) :** Shows 1 year performance of a company.
**Balance Sheet :** Shows company performance till that year.
**Quarterly Result** : Its important when you want to check performance of a company not in whole year but in a particular quarter (month). Helps in understanding of business. It which quarter business in performing well or bad. Good to compare quarter with old and latest year. (Year on Year quarter comparison)

**CFO / Pat Ratio :** This ratio defined that how much part of net profit converting to cash. If > 1 Good, else Bad. (Not applicable on those companies whose projects are long term and cash can't be realized up-front, take time to receive actual cash) (Not useful in Banks, NBFCs, Real Estate, Infrastructure)

**Cash Flow per Share (RS) :** Profit of per share received in cash (using cash flow, not Profit and Loss)

**Free Cash Flow (FCF)**
**FCFF per Share (RS) :** The amount which left after subtracting any investments from Cash Flow per Share (RS). The money which doesn't affect the continuity of business. (Important Parameter)

***Determine Fair Value (Intrinsic value) of a Share.***
**EPS Growth :** Consider Profit and Loss and Calculate it.
**DCF (Discounted Cash Flow) :** Consider Cash Flow and Calculate it. Discount rate in DCF Analysis is Interest that user need on its investment. Terminal Rate (take less than 4)
Banking stock can't be measured using above analysis. Also not applicable on those companies who don't generate free cash or their free cash is in negative.

**Identify Moats (Competitive Advantages) before investing in a Company :** There are 7 Moats:-

1) **Govt. Protection :** Require Government license to start a company in that particular field.
2) **Low Cost :** You are getting supplies or anything else in low cost compare to other companies.
3) **Distribution Reach :** Good distribution reach means more selling of products = more profit.
4) **Brand :** A Brand name can certainly gain trust of customers easily, increase your reach a lot.
5) **Patent :** Something that can't be copied by other companies, it's just for the company, it's their patent.
6) **Network Effect :** Others/All are also using that products. Can't be replace easily (Like WhatsApp).
7) **Switching Cost :** To change from one company to another, more effort/cost require from customer. So customer don't prefer it. (Like Changing Bank Account, Earlier when Mobile Number Portability is not their)

How Companies increase ROE:

1) Increase margin (per unit) sell at higher cost.
2) Sell at less selling price not sell more units/volume.
3) Invest using Equity + Debt (Debt not include while calculating ROE)

If ROE is good, also check Debt Amount. ROE can be increased using more Debt (Loan)

**Asset Turnover** : Assets are those which helps in making products for business. Like plants, machines, land, computer, etc.). So the amount which is company making using the cost of assets).

**Leverage Multiplier :** Defines if a company taking more debt (loan). It can increase ROE.

**Common Size Statement :** Used to compare different companies in the same departments (Comparing different banks) on 1 scale. Not on the amount size but on normalizing it to 1 base to 100%). Used to compare Profit & Loss Statement or Balance Sheet.

**Payback Period :** How much money invested to start the business. The time period to get it back from the business.

**Share Landing and Borrowing (SLB) :** Same as Intraday Short selling, but for more days.

**IPO** - Initial Public Offering

- When a company lists its stock for the first time, that is, it isn’t already on the stock markets, it is called an IPO.

**FPO** - Follow-on Public Offer

- When a company that is already trading on the stock markets offers some new shares for sale to the public, it is called FPO.

Trading vs Investing :
https://insider.finology.in/stock-market/trading-vs-investing

Intraday Trading :

https://groww.in/p/intraday-trading