



Fundamental Analysis Mastery: Uncover the True Value of a Company

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AGENDA

What & Why

Company Analysis

Industry Analysis



FA vs TA

Financial Statement

Economy Analysis

Qualitative vs
Quantitative

8 Important Points

Management Analysis



What & Why?

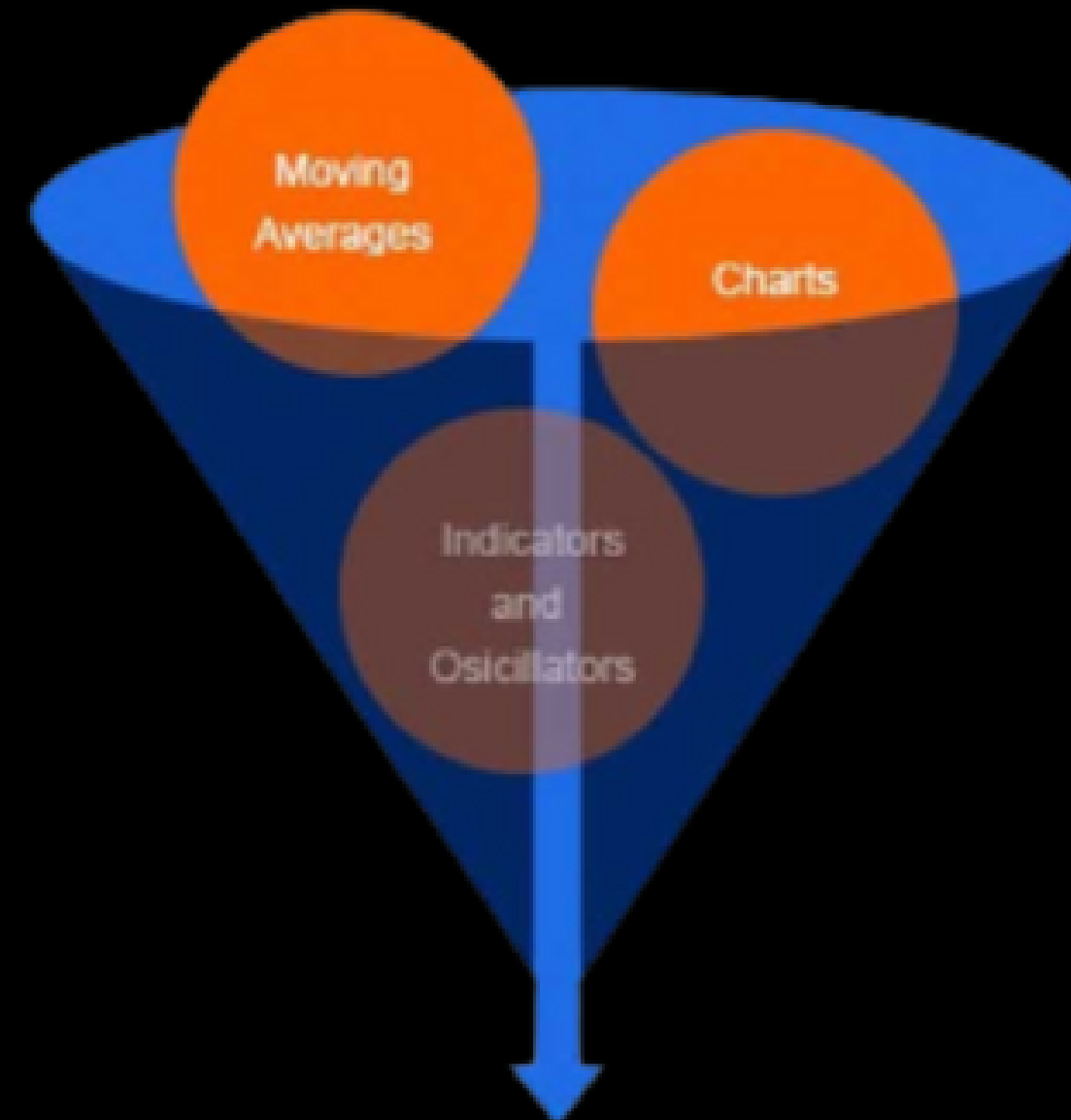
- It's a method of evaluating a company's intrinsic value by examining its financial and economic fundamentals.
- Helps an investor understand which stock to buy.
- Used for long-term investments.
- The goal of FA is to determine whether a company is undervalued or overvalued in the market.



FA vs TA



VS



Source - Google

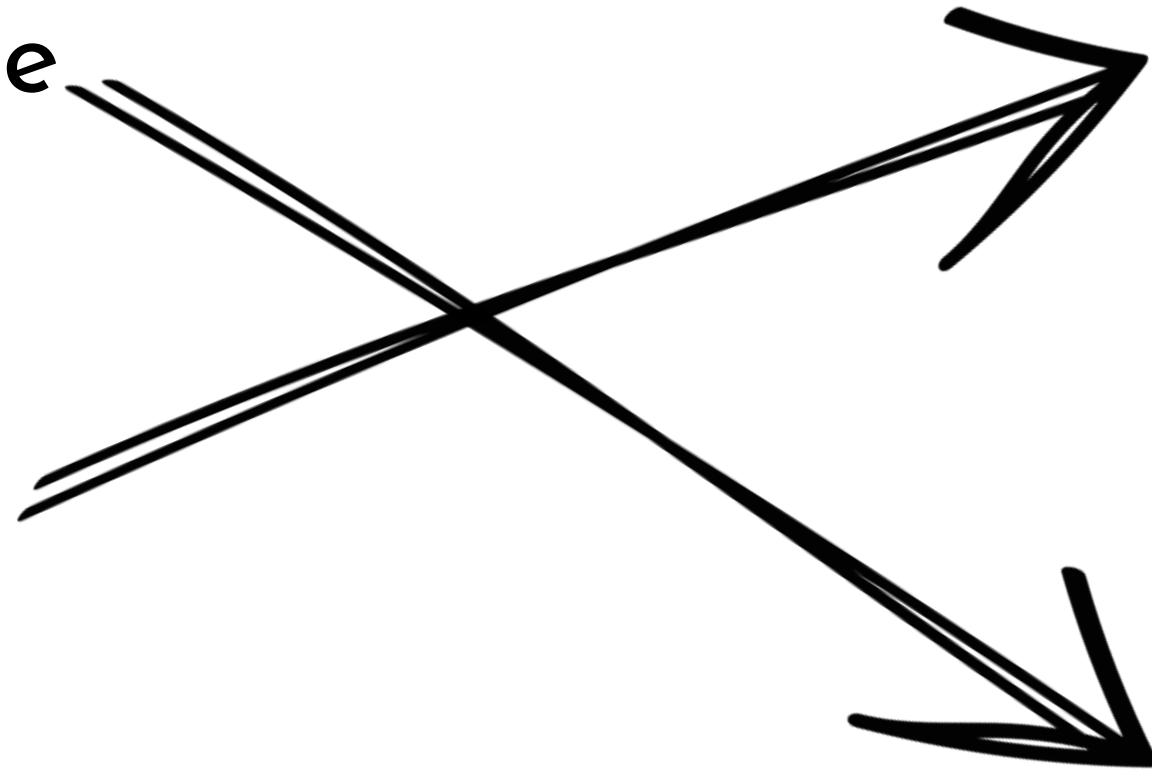
Qualitative vs Quantitative

Quantitative

- Management Analysis
- Nature of Business
- Corporate Governance

Qualitative

- Company Analysis
- Industry Analysis
- Economy Analysis



Company Analysis

- Annual report of the company includes every detail of the company.
- It contains
 - a. Letter to shareholders
 - b. Financial Statements
 - c. Management Discussion & Analysis
 - d. Corporate Governance
 - e. Auditor's report - Look out for 'true and fair view',
'Opinion & Key audit matters para'.

Financial Statements

- a. **Income Statement:** It provides an overview of a company's revenue and expenses over a specific period of time. It shows whether a company is profitable or not.
- b. **Balance Sheet:** It provides a snapshot of a company's financial position at a specific point in time. It shows a company's assets, liabilities, and equity.
- c. **Cash Flow Statement:** It shows how cash moves in and out of a company over a specific period of time, how a company generates and uses cash.

8 Important Points (most important)

1. Current ratio - liquidity position, ideal ratio = 2:1.
2. Debt: Equity - debt: equity ratio higher than 2:1 is dangerous.
3. ROCE (Return on capital employed) - $(\text{EBIT}/\text{CE}) * 100$
4. Free cash flow - cash flow from operation less Net investment
5. Shareholder's pattern - Pledging of shares
6. Inventory turnover ratio - number of times goods is sold.
7. Reserves and surplus
8. P/E Ratio - Market price per share /Earning per share

Industry Analysis

- Cyclical Industry
- Subset of an Industry - e.g. - Electric Batteries
- Lifecycles
- Government Policies
- Sector-wise points to consider
 - a. Banks & NBFC - CASA, NIM & NPAs
 - b. FMCG - Inventory Turnover Ratio
 - c. Telecom - ARPU & Ease of switching
 - d. Infrastructure - Order Book
 - e. Automobiles - No. of vehicles sold every month.
 - f. Oil & Gas - Government policies

Economy Analysis

1. GDP - Aggregate value of the final goods produced or services rendered in the country.
2. CRR & SLR - High CRR & SLR indicated capacity to lend decreases --> Loans given will decrease --> Interest gain will decrease.
3. Repo Rate - the rate at which RBI lends money to banks.
When repo rate increases, Loans become costly -->
Production decreases --> creates a negative impact on GDP
4. External Factors like monsoon, war, etc.

Management Analysis

- Search the company name on Google and add the search term 'fraud' or 'cases'.
- Check the LinkedIn profile or any other genuine source of the businessmen.
- Management discussion and analysis. (Annual report). Here, we can get to know about the company's existing projects and upcoming projects, punishments, and penalties borne by the company.
- Investor conference call - Transcript analysis of your quarterly earnings conference calls.
- Insider trading charges against the management.

Final Words

1. Around 95% of people lose money in the stock market.
2. Understand how to compute the intrinsic value of the stock using fundamental analysis.
3. Avoid penny stocks, and get rich quick stocks/schemes.
4. Make a rule and stick to it.
5. Read annual reports of different companies.
6. If all of this seems boring then play the mutual fund, SIPs, smallcase game. Once you get comfortable then start equity investing.

Learning resources

- The Psychology of Money: Timeless Lessons on Wealth, Greed, and Happiness
- "The Intelligent Investor" by Benjamin Graham
- "Security Analysis" by Benjamin Graham and David Dodd
- Investopedia
- Zerodha Varsity



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2nd Year
Chemical '25

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Thank you so much for attending!