⚙️ Step 1: Collect Core Data

For each stock you analyze, gather:

Category	Data to Collect
Price & Earnings	Share price, EPS (TTM), expected EPS (forward)
Financials	Revenue, Net profit, ROE, ROA, Debt, Cash flow
Market Ratios	P/E, P/BV, Dividend yield, PEG, EV/EBITDA
Growth Metrics	Revenue growth %, EPS growth %, profit margin trend
Industry Context	Sector average ratios, market growth potential
Qualitative Factors	Brand strength, management, innovation, market share

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📊 Step 2: Calculate Key Ratios & Compare

Ratio	How to Use	Interpretation
P/E (Price to Earnings)	Compare with industry & historical average	Low → undervalued, High → overvalued
P/BV (Price to Book Value)	Compare price vs. net asset per share	<1 = undervalued, >2 = may be overvalued
PEG (P/E ÷ Growth Rate)	Adjusts for growth potential	<1 = undervalued, >1 = overvalued
Dividend Yield	Compare to historical or risk-free rate	High yield + stable profit = undervalued
EV/EBITDA	Measures value vs. operating income	Lower = undervalued vs. peers
ROE (Return on Equity)	Profitability of equity capital	Higher ROE justifies higher P/E
Debt-to-Equity	Measures financial risk	High debt + high P/E = risky (possibly overvalued)

🧭 Step 3: Analyze Growth & Profitability Trends

✅ Undervalued Signs

- Revenue and EPS growing steadily
- Margins improving
- Cash flow positive
- Market price hasn't caught up yet

❌ Overvalued Signs

- Flat or declining earnings
- High P/E or P/B without matching growth
- Dependence on debt
- Earnings manipulated by one-time gains

📈 Step 4: Compare with Benchmarks

1. **Compare with Industry Averages**
   - If stock's P/E < industry P/E but ROE is higher → likely **undervalued**.
   - If P/E > industry but ROE or EPS growth is lower → **overvalued**.
2. **Compare with Market Index (ASPI)**
   - If overall market P/E = 12×, and your stock = 25× → question if growth justifies it.
3. **Compare with Historical Valuation**
   - If a company's 5-year average P/E = 10× and now it's 25×, check if profits actually doubled. If not → **price inflation**.

📉 Step 5: Use a Scoring System

Assign each factor a **score out of 5**, then calculate an overall valuation score.

Factor	Weight	Example Score
P/E vs Industry	20%	4
P/BV vs Book Value	15%	3
ROE	15%	5
EPS Growth	20%	4
Debt Level	10%	2
Cash Flow	10%	3
Dividend Yield	10%	4

Then sum up:

- **4.0+ → Undervalued / Strong buy**
- **3.0–3.9 → Fairly valued / Hold**
- **<3.0 → Overvalued / Risky buy**

This method gives you a **data-backed decision**, not just a guess.

🔍 Step 6: Qualitative Success Factors

Numbers alone can't tell the full story. Evaluate:

Factor	Undervalued Indications	Overvalued Indications
Management Quality	Proven leadership, transparent reporting	Overpromising, weak governance

Brand & Market Position	Strong market share, growing reputation	Losing ground to competitors
Innovation & Diversification	New projects, tech upgrades, exports	Stagnant, outdated business model
Economic Context	Sector recovery, low interest rates	High inflation, policy uncertainty

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🧠 Step 7: Combine & Conclude

When combining all these:

Result	Signal	Action
Low valuation ratios + strong growth & ROE	**Undervalued**	Consider buying
High ratios + weak or slowing growth	**Overvalued**	Avoid / take profits
Balanced ratios + steady performance	**Fairly valued**	Hold

📘 Example (Simplified)

Stock: John Keells Holdings PLC (JKH)
Industry avg P/E: 12× | **JKH P/E:** 65× | **EPS growth next year:** 10%
P/BV: 1.8× | **ROE:** 5% | **Dividend yield:** 2%

➡️ P/E much higher than peers
➡️ Growth moderate
➡️ Low ROE
➡️ Weak dividend

📊 **Verdict:** Overvalued (based on fundamentals, not momentum)