

FUNDAMENTAL AN

Sr No	Ratio or Parameters	How to Calculate
1	Liquidity Ratio	Current ratio=Current assets/Current Liabilities
2	Solvency ratio	Debt to equity ratio=Total long term debt/Shareholder's fund.
3	Profitability ratio	Return on capital employed=EBIT/Total Capital employed
4	Activity ratio	Inventory turnover ratio= COGS(cost of goods sold)/Avg inventory
5	Valuation ratio	P/E = Market price/ Earning per share. Price/BV (book value)= Price per share/BV per share
6	Reserves to Share capital	NA
7	Free cash flows	Cash flow from operations - purchase of fixed assets + sale of fixed
8	Shareholding pattern	Pledged share
9	Shareholding pattern	Change in promoters' holding

Important terminology

Dividend yeild %	Dividend per share / market price per share

ALYSIS KEY POINTS

What do we achieve	Interpretation
Tells the liquidity position of a company.	Ideal: 2:1
Analyze the capital structure (own funds/loan funds)	Max: 2:1, More means company has
Measures the profitability or return on money invested	Higher means more profit
How fast goods are manufactured and sold. Operational efficiency.	Higher the better.
How costly the share is.	Higher=Costly, Lower=Cheaper Note:- Compare it with industry P/E
NA	Increasing trend in reserves = Good,
Measures the free cash available to the company for	Higher the better.
No of shares pledged by promoters	More pledges shares = Bad sign.
Measures of promoters' trust in company.	For family owned company, if change in

	Dividends are tax free upto 10L	Companies yeilding high			
