


INDIAN

STOCK MARKET JOURNAL

EMPOWERING TRADERS AND INVESTORS

**Stock
Market
Outlook**

**Stocks To
Bet On**

- 
- A large rocket launch, likely the Chandrayaan-3 mission, is shown ascending from a launch pad. The rocket is white with orange and black accents, and the word 'ISRO' is visible on its side. A massive plume of white smoke and fire is at the base. The launch pad structure is visible to the right. The sky is blue with scattered white clouds. Numerous colorful confetti pieces (squares, triangles, circles) are scattered across the entire image, creating a celebratory atmosphere.
- A Guide To Bond Investing: The What, Why And How
 - The Art Of Share Valuation Meaning, Importance And Methods
 - ITC Hotels Demerger A Game-Changer for India's Hospitality Industry?
 - SIP Or Lumpsum, Which Is The Winning Investment Strategy For Wealth Generation?

From The CEO'S Desk



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ISMJ, August Issue

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Full efforts have been made to ensure the authenticity and accuracy of the contents of the Yearbook, but we do not accept any liability for the errors if committed and the subsequent loss arising from the same, but we will make sure that the errors if occurred are rectified and minimized in future editions and also would welcome the reader's feedback.

We welcome your comments and suggestions for our future editions to make it more helpful month after month.

Dear Readers,

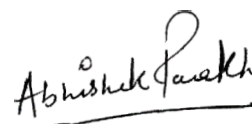
Though many things are happening around the world, it was the success of India's Chandrayaan-3 that was the shining star worldwide. With immense pride and pleasure, we congratulate ISRO, the government of India and everyone for the success. We have always been excited for August, as EquityPandit celebrated its 18th Anniversary. This milestone wouldn't have been possible without your constant support and trust. We aim to ensure that you are always satisfied with our services. Our employees' valuable hard work and continuous efforts have led us to this milestone. Happy 18th Anniversary EP, and here's to celebrating many more landmark anniversaries.

This edition of ISMJ has brought you everything you should know about the latest ITC Hotels demerger announcement. The edition will also compare the SIP and Lumpsum investing methods and find which is better for you. Also, in the edition, we will go through a detailed starter guide to the world of Bond Investing. Finally, we look into the process of share valuation, and you can use valuation ratios to find the best stocks.

Along with all the topics deemed the future of markets, we also bring you Stock Market Outlook and how Nifty and Bank Nifty are expected to move in the upcoming months. Hope you learn and grow.

We would like to thank you for appreciating our previous editions with your kind words. We would love to have your continuous feedback to improve our work. Please feel free to write to us at support@equitypandit.com.

Happy Investing!



Abhishek Parakh
CEO & Managing Director
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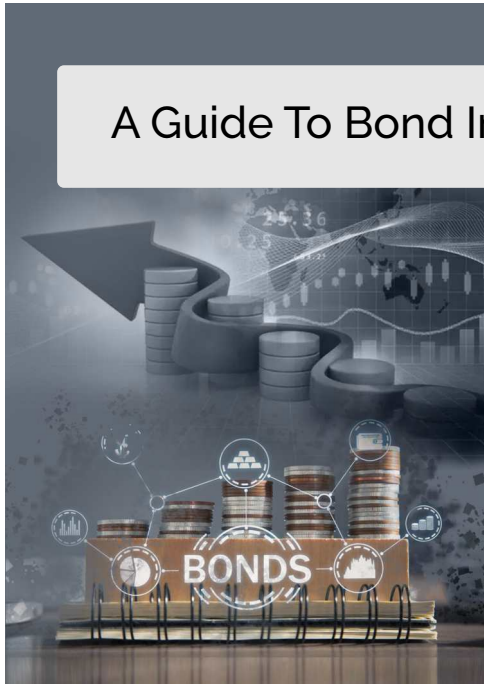
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Stocks To Bet On





STOCK MARKET OUTLOOK

— NIFTY —



The nifty future seems bearish from the last few weeks as the weekly channel acts as a strong area of resistance around 19800-20000 levels, pulling the index down.

Some key players in the Nifty index have mixed moves as banking stocks

(HDFCBANK, KOTAKBANK) were highly bearish in the last few weeks, but some stocks like TCS and INFY had mixed consolidating moves trying to hold the index up.

The Nifty Index is currently around 19250-19350 levels, moving slowly and

steadily for 18700-18800, which can act as a strong SUPPORT AREA.

Our final verdict is that the Nifty future will likely trade between 18700-20000

levels in the coming 2-4 weeks as the bullish channel seen in the weekly chart can push the index up with minor positive triggers.



BANK NIFTY



BANK NIFTY future seems to be in a bearish move from 4-5 weeks as it is actively responding to AREA OF RESISTANCE around the 46500 level.

Private sector Banks like ICICIBANK and HDFCBANK were highly bearish, with AXISBANK in the bearish consolidation phase, retracing just last week.

Merely after a false trend, a breakout was seen, a level around 46000-46500 acting as strong channel resistance, pulling the index

down as it continued to come near weekly support of around 43200 levels.

Breaking the support Levels, the index can fall around 1500-2000 points as channel support is around 40800-41000, which is a bit unlikely.

Our final verdict is that the index can act positively at a crucial support of around 43000-43200, which will raise the probability of pushing the index up to some extent in the coming 2-3 weeks.

UPCOMING TRADING HOLIDAYS

Ganesh Chaturthi

September 19, 2023

Tuesday



ITC HOTELS DEMERGER

**A GAME-CHANGER FOR
INDIA'S HOSPITALITY INDUSTRY?**



"FINALLY!," exhaled ITC investors when the company announced the demerger of its hotel business. After years of rumours, speculations and the management subtly hinting towards the demerger, it is finally happening. This will be the second biggest demerger in 2023, following the Jio Financial Services demerger.

We will discuss the details of the demerger and ITC's strategy behind the demerger in this article. Further, we will assess the impact of the demerger on the company's share prices, the stakeholders and the hospitality industry as a whole. But first, let's learn more about the company and the business it is planning to break up.



Introduction To ITC And ITC Hotels

ITC is one of India's most valuable companies operating in Fast Moving Consumer Goods (FMCG), Agribusiness, Hotels, Papers and Paperboards, Packaging, and Information Technology industries. ITC's majority revenue comes from its FMCG business due to its leadership in the tobacco industry.





ITC currently operates the second largest hotel chain in the country with 11,600 rooms in over 120 hotels and resorts across 70 locations under six brands: ITC Hotels, Mementos, Storii, Fortune, Welcomhotel, and WelcomHeritage.



ITC Hotels' revenue has grown at a compounded annual growth rate (CAGR) of 11.6% since it joined the ITC Group in 2004. Despite the remarkable growth, it makes up for a significantly less proportion of the overall revenue. In FY23, the hotel business accounted for just 4% of the company's total revenue and 2% of its earnings before interest and tax (EBIT).

Brokerage firms and research houses have valued ITC Hotels Ltd anywhere between Rs 17,000 crore and Rs 24,000 crore. For comparison, Indian Hotels Company Ltd (IHCL), the leader in the Indian Hospitality Industry, is currently valued at more than Rs 55,000 crore.

Details Of The Demerger

On July 24, 2023, ITC announced that its board had granted in-principle approval for demerging its hotel and resort business into a new entity named "ITC Hotels Ltd". Under the arrangement, ITC will hold a

40% stake in the demerged entity, and existing ITC shareholders will hold the remaining 60%.

ITC's management believes that this shareholding structure will ensure the



company's continued interest in the hospitality sector while also supporting the demerged entity and its long-term stability.

After the final consideration and approval in the next board meeting scheduled for August 14, the proposed demerger will be subject to necessary approval from shareholders, stock

exchanges, creditors, SEBI, NCLT, and other regulatory authorities. The listing date and further details related to the demerged entity are yet to be disclosed. The demerger is expected to get completed by the second half of the next fiscal.

ITC Hotels will operate as a separate entity upon demerging. To ensure a smooth transition, assets, liabilities, contracts, and employees part of the hotel business will be transferred to ITC Hotels Ltd. As part of its corporate name and the name of its properties, the Hotels company will be given a license to use the 'ITC' name, subject to customary conditions.

Impact On ITC's Share Prices

On the day of the announcement, the shares of the FMCG behemoth hit an all-time high of Rs 499.70. It was expected that the demerger announcement would take the already rising stock to new highs, but things have been downhill from there. The share was down nearly 9% from the record high when writing this article. So what is the reason for this plunge? Are shareholders not happy with the decision? Well, the proposal has received mixed reactions from the market participants. One side of the market thinks that the



demerger poses an opportunity for improved profitability and better capital allocation for ITC. They believe the step will unlock value and wealth generation for shareholders.

While others have been vocal about their disdain for the move, they are disappointed over ITC retaining a 40% stake in the new subsidiary. They have raised concerns about the lack of diversification and uncertainties about the future development of the demerged hotel business and seek clarity on ITC's strategic rationale behind the demerger. There might also be other unrelated reasons for the decline in share price, including a likely stake sale by a Specified Undertaking of Unit Trust of India, which holds a 7.84% stake in ITC. A visible

slowdown in the macroeconomic environment poses a significant threat to ITC Hotels. But the biggest reason could be the increasing incidence of taxation, the growing contraband market of

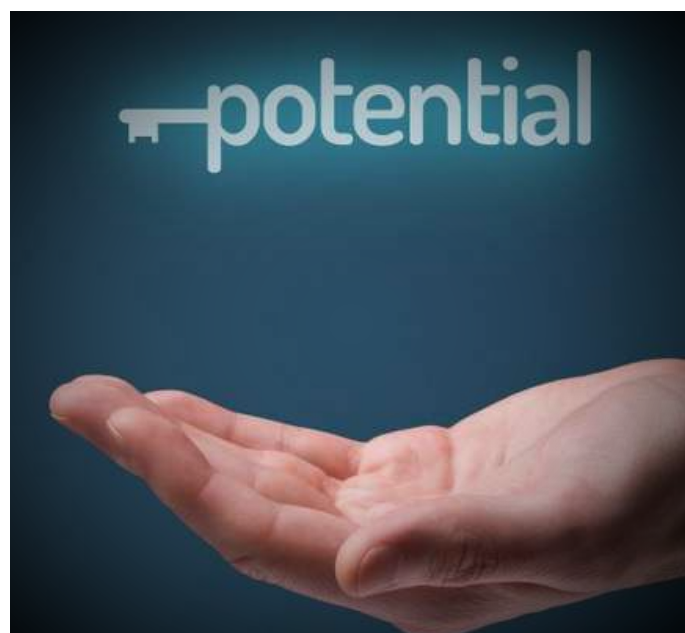


cigarettes and stricter regulatory norms on cigarette usage in public, leading to a significant threat to ITC's star player, its cigarettes division.

Strategy Behind The Demerger

The primary motive behind the demerger is to unlock the true potential of the hotel business by allowing it to operate as a separate entity. This will help ITC Hotels to pursue its growth path independently in both the consumer and hospitality sectors. The demerger is expected to create several advantages for ITC, ITC Hotels Ltd and their shareholders.

With the hotel business separated, ITC can allocate resources more efficiently





and effectively to FMCG, cigarettes and other companies where most of its revenue comes from.

Removing the hotel business will improve the company's on-paper financial conditions and its return on capital employed, depicting improved efficiency and financial health.

Post the demerger, ITC Hotels Ltd will be able to operate with greater autonomy helping it leverage its position in the hospitality sector and focus on its growth potential in the rapidly expanding industry. It will start afresh with a healthy

balance sheet and good free cash flow while having ITC goodwill and brand value, enabling it to attract appropriate investors and strategic partners.

ITC Hotels is firing on all cylinders in terms of its financial performance. It posted a 101% year-on-year revenue growth thanks to the revival of the tourism industry in the post-pandemic boom.

The management hopes the proposed demerger creates sustained value for stakeholders and increases shareholder returns. ITC shareholders will also see growth in their wealth with a direct stake in the pure-play hotel's entity. An independent market-driven valuation will be conducted for the listing process of ITC Hotels.

For investors, closely monitoring the developments and assessing the long-term prospects of both entities will be crucial in understanding the impact of the demerger on their investments.



Conclusion



The ITC Hotels demerger marks a significant strategic move for the company and the Indian hospitality industry. While it offers advantages regarding value unlocking, focus, and growth opportunities, it also comes with challenges and uncertainties. The success of the demerger will depend on how both entities navigate the regulatory approvals, operational issues, and market dynamics in the post-demerger landscape.



SIP or Lumpsum

**Which Is The Winning Investment
Strategy For Wealth Generation?**



Once you have decided to invest in stocks or mutual funds, another significant dilemma you will face is whether to invest through SIP or lump sum. Both these methods of investment have their pros and cons.

A lump sum investment is when an investor invests substantial money into stocks or mutual funds in one go. In contrast, a Systematic Investment Plan (SIP) includes investing a fixed amount regularly.

Investors who are new to the market might get puzzled between the two. To clear any doubts, we will examine the major advantages the two methods offer over the other and the key factors that set them apart in this article. We will also determine which method will be better for investors. Let's start by first learning about the two in detail.



Understanding SIP And Lumpsum Investments

A Systematic Investment Plan (SIP) is an investment option available for investors wherein they can invest a fixed sum on a regular basis, whether monthly, quarterly or annually. The set amount is automatically deducted from the bank account and invested in the selected security.





On the other hand, lumpsum investing is where an investor invests a huge corpus of money in one go. This method is used to

invest in the equity market, mutual funds, and debt funds. Both investment pathways have their advantages and disadvantages. For example, SIPs provide rupee cost averaging, reducing the cost of investment. On the other hand, a lump sum investment done at the right market conditions in an opportunistic stock or fund can lead to substantial growth.

We will discuss these advantages in detail later on in the article. First, we will look at the key differences between investing through SIP and lumpsum.

Parameter	SIP	Lump Sum
Meaning	Investors can invest a specific sum of money at regular intervals using SIP	These are one-time investments
Cash Outflow	Regular	One-time
Risk Appetite	Lower	Higher
Flexibility	Highly Flexible as Investor can choose to invest based on their financial conditions	Close to zero Flexibility
Investment Cost	Reduced due to Rupee cost averaging and small investment amounts	Substantial as this is a one-time investment
Time Horizon	Short to Medium term	Medium to Long term
Market Conditions	Immune to Market volatility	Recommended in a continuously growing Market
Experience in the Market	Easy for even the inexperienced investors	Investors with market experience can try to time the market

Advantages Of SIP Over Lumpsum



SIP offers regular investment options for investors, offering multiple benefits over lumpsum investments. Let's understand some of these advantages in detail.

— Rupee Cost Averaging —

When you invest regularly through an SIP, you buy more units when the price of the security is low and lesser units when the price goes up. This is known as rupee cost averaging. It averages out and reduces the investment cost over a long time horizon.

— Timing And Monitoring The Market —

The market conditions highly impact the returns of a lumpsum investment, but even experienced investors cannot accurately predict when to enter the market. However, investors need not worry about market volatility when investing through SIP as the investments are spread over fixed intervals minimising the impact of volatility.



— Financial Discipline —

SIPs help build a habit of saving and investing as a fixed amount is automatically deducted periodically. This helps inculcate a discipline towards investing, even for those who cannot stick to an investment plan.

— Investment Flexibility —

SIPs are a highly flexible path to gain exposure to equities, especially for someone new to investing. Investors can start SIPs for as little as Rs 500, with the option to stop, pause or change the SIP.



Advantages Of Lumpsum Over SIP



Even though many believe SIP to be a superior investment path to lump sum investing, the latter has its edge. We have covered a few benefits that lump sum investing has to offer.

Potential For Higher Returns Quickly

When invested at the right time, a one-time investment into the right stock or mutual fund can lead to multi-bagger returns within a very short period of time. But this is only possible if one can enter such a position at the right time. Even in the longer time frame, your investments could grow multiple times due to the power of compounding.



Tax Benefits



Under Section 80C of the Income Tax Act, 1961, tax of up to Rs. 1,50,000 is exempted for lump sum investments in mutual funds. Investing in an equity-linked savings scheme (ELSS) also offers tax savings of up to Rs 1,00,000 a year, along with high returns.

Factors To Consider While Choosing

When deciding whether to invest in a single go, i.e. lump sum or in regular

intervals through SIP, it is crucial to consider the following factors.

Investment Amount

A lump sum investment will be an optimal choice if you have a substantial amount at your disposal. But, if you cannot afford to lose such a sum, go for SIPs, where you can start investing in small amounts and build a habit of investing.



Risk Appetite

Determining your risk appetite is a crucial first step before investing. Riskful investors can opt for a one-time investment as it might lead to considerably better returns in a smaller span of time. But, since lump sum investment requires a big corpus in one go, SIP offers comparatively better capital protection as you divest small proportions of the entire corpus. This makes it an attractive choice for risk-averse investors.

Expected Returns and Market Timing

In both cases, returns depend on the market conditions. In a volatile and unfavourable market, SIPs are better performers, while lump sum investments outshine when the markets are steadily growing. When the markets are low, a lumpsum investment will generate higher returns. But it is also difficult to time the market cycles, so a SIP can help distribute the unsystematic risk.

An avid investor should learn the key differences and advantages of investing in a lump sum or SIP and understand which method would be more beneficial depending on their risk appetite and short-term and long-term goals. Other factors influencing this decision involve regularity of income and Financial stability. But either way, some investment is better than none, and the key to successful investing is to stay invested for the long term.

A GUIDE TO BOND INVESTING

THE WHAT, WHY AND HOW



In today's markets, investors can choose from an array of investment avenues. Several sound investment opportunities exist to maximise returns at manageable risks to create wealth.

One such investment product is bonds. Bond investment is becoming popular as it offers fixed and frequent interest payouts and low volatility. This makes it a good alternative for equity markets, but they comprise a balanced and diversified portfolio. Stocks are the preferred investment option for risk-takers, while risk-averse investors consider bonds the top investment option.



Read on to learn what bonds are, how they work, their types, and how to invest in bonds in India.

What Are Bonds?

Bonds are fixed-income securities issued against a loan by the retail investor to the issuer. These instruments have a pre-defined maturity date when the borrower or the bond issuer must repay the debt.

Bonds also offer a fixed-interest return paid out at specific intervals, often



annually, semi-annually, or monthly until the bond's maturity. The issuing party sets the interest rate or coupon rate.

The issuing parties are usually government bodies or private institutions like banks or non-banking financial corporations (NBFCs). The issuer uses the pooled funds lent by all the investors



for financing business activities like expanding operations, launching new products, or entering new markets.

Government bonds are issued for a specific purpose, such as infrastructure development, social welfare, covering budget deficits, etc. These bonds are also safer and more secure since the government backs them.

Bonds are considered a less risky financial instrument when compared with stocks or real estate. They are traded on the primary and Over-The-Counter (OTC) markets. A bond's price is determined based on its demand and the creditworthiness or the credit quality of the issuing party.

Related Jargons



Bonds carry their unique vocabulary, which is fundamental to understanding the bond market dynamics and making investing decisions. Before we delve deeper into Bond Investing, let's first look at some of the commonly used terms and jargon important to understand bonds fully.

Maturity Date

This is the pre-defined date on which the bond issuer is obligated to pay back the bondholder's principal amount. After the repayment, the interest payments for the bond also stop.

Tenure

The period from the issue date to the maturity date is known as the tenure of the bond. Any financial and legal obligations of the issuer towards the investor are valid only until the end of the tenure.

Coupon Or Interest Rate

The rate of return that the issuer promises to pay the bondholder periodically is called the coupon or interest rate of the bond. This rate can be fixed or floating and is paid monthly, quarterly, bi-annually, or annually until the bond's maturity.

Face Value

Also known as the nominal or par value, this is the principal amount per bond the issuer has agreed to repay upon maturity. In India, most bonds usually have a face value of Rs 1,000. The face value is distinct from the market value.

Credit Quality/ Rating

The quality or rating of a bond is determined based on the market's confidence in the issuing party, its long-term performance, the risk of the issuer defaulting and other factors. Credit rating agencies classify and categorise bonds on their rating.

Bond Indenture

A Bond Indenture is a legal contract between the issuer and the holder that carries all the necessary information regarding the bond, including its maturity and coupon rate. It has all the important information the bond issuer must disclose to the investor before the latter decides to buy the bond.



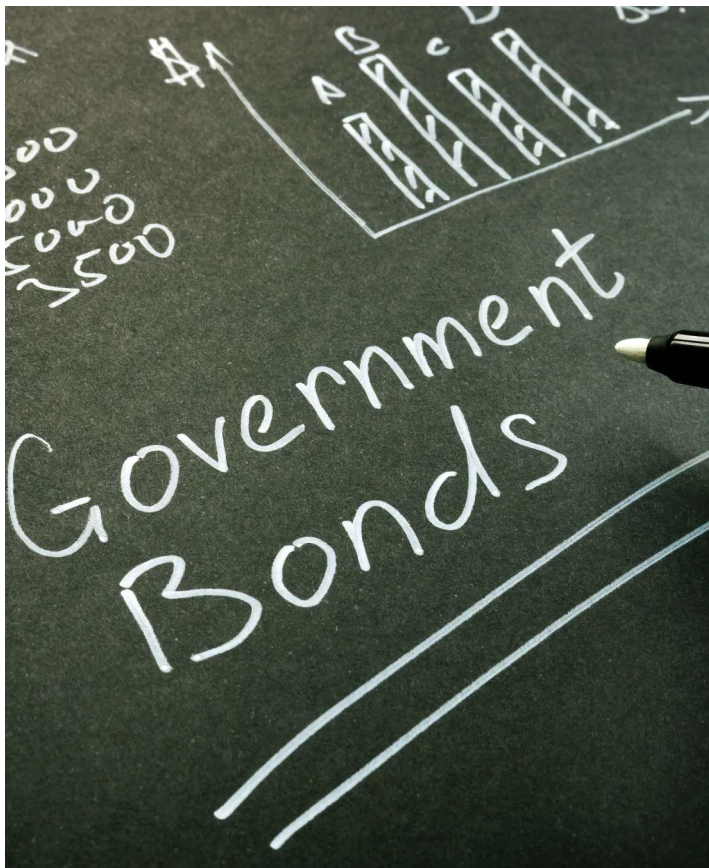
Types Of Bonds

Bonds can be classified based on issuer, tenure, coupon rate, etc. We have listed some major types of bonds available in the Indian market.

Government Bonds

Bonds issued by the Central or any State Government for funding their operations like infrastructure development, public welfare projects etc, are called Government Bonds. These are extremely safe, if not the safest, investment options since they are government-backed. Since they are less risky, the interest offered is also lower.

Hence Government bonds are best suited for risk-averse investors. Government bonds are issued for a period ranging from 5 to 40 years. They offer principal repayment and interest payments at fixed or floating interest rates. Let's look at some of the most important bonds issued by the State and Central governments.



Sovereign Gold Bonds (SGBs)-

Issued by the central government, SGBs are securities denominated in grams of gold which help retail Indian Investors invest in 99.99% pure gold without the hassle of buying physical gold. They offer a tax-free interest of 2.50% per annum and a maturity period of 8 years.

State Development Loans (SDLs)-

SDLs help State governments fund specific projects or operations by borrowing from the citizens in exchange for bonds. These bonds have a 'Sovereign Guarantee' with lucrative coupon rates and long-term maturity.

Corporate Bonds



Private Companies issue Corporate Bonds to raise funds for expansion, equipment or land purchases, factory construction, etc., at low costs without diluting ownership. These bonds offer a higher interest rate, usually paid monthly, as they carry a higher default risk than government bonds.

Corporate bonds can be classified based on tenure. Short-term bonds typically have a tenure of less than three years, while those with a maturity date after three to seven years are known as medium-term bonds. Long-term Corporate bonds mature after more than seven years.

Convertible Bonds

Unlike regular bonds, which are redeemed upon maturity, Convertible bonds give the holders an obligation or a right to convert the bonds into equity shares of the issuing company at a certain point before the bond's maturity.

The number and value of these shares are usually predetermined, along with the coupon rate and tenure of the bond. Convertible bonds can be further classified as Regular, Mandatory and Reverse convertible bonds.



Zero-Coupon Bonds



Zero-Coupon or Discount Bonds, as the name suggests, are bonds that do not pay any interest to the bondholders. Instead, investors profit from the heavy discounts at which the security is available to trade on the secondary market. They redeem their returns by selling the bonds at the face value at maturity. They are created via existing securities rather than being issued via auction.

How To Invest In Bonds?

Investors can buy bonds in primary and secondary markets in India. In the primary or issue market, investors can apply for bonds directly with the issuer, who will allocate the bonds as per specified terms and conditions. This is done through a bond initial public offering (IPO) or private placements. Under an IPO, bonds

are sold to retail investors through underwriters, whereas private placements involve offering bonds to institutional investors.

The secondary market is the platform where bonds can be purchased from other traders and investors. It is also known as the after-issue market. Since bonds are also listed on the exchanges, the bonds are credited directly to your demat account once the transaction has been settled.

Other ways to invest in bonds are through debt or balanced mutual funds and Exchange Traded Funds (ETFs). Mutual Fund houses manage a portfolio of debt securities or a diversified basket of debt and equities, providing retail investors indirect exposure to various bonds.



Exchange-traded Funds (ETFs) are fund trusts whose units are traded on the stock exchanges. Most of these funds track the performance of equity indices, but a few offer exposure to a bond market index or a

benchmark government bond. These are a more economical option than Mutual funds since these are not actively managed and have very low expense ratios.



Bonds can be a valuable addition to a balanced portfolio alongside stocks, mitigating risks, enhancing overall returns and offering diversification benefits, proving to be a relatively stable investment avenue for risk-averse and diversified investors.

But, it is important to consider a few important aspects of Bonds before investing in them. These include the time horizon for your investment, liquidity, comparatively lower returns and default risk in the case of corporate bonds.

In conclusion, understanding the various types of bonds, their features, and how to invest in them is crucial for making informed investment decisions. Bonds offer a suitable option for investors seeking stable returns and diversification while managing risks. Investors can maximise their wealth over time by considering the factors mentioned and maintaining a balanced portfolio.

THE ART OF SHARE VALUATION

MEANING, IMPORTANCE AND METHODS





Investing in the right stocks at the right time can yield inflation-beating returns and lead to long-term capital appreciation. The valuation process is an important step while investing as it helps one find such undervalued stocks, but it takes time and forethought.

The most commonly used method for valuing shares is valuation ratios.

These ratios help investors understand a stock's relative performance over the years and assess whether it is undervalued or overvalued.

In this article, we will understand valuation analysis and how it works. We will explore various valuation ratios and how and when to use them. But let's start with the basics and look at share valuation and its importance.

VALUATION OF STOCKS

Valuation is a complex and quantitative process involving a series of metrics to evaluate a share's fair value. The fair value is based on the company's performance, growth projections, and business fundamentals. Earnings reports, corporate announcements or economic events impact the share price and value.

The fair value calculated is then compared with the share's current market price to determine whether it is undervalued or



overvalued. A share's price is an outcome of its demand and supply in the market. A share is said to be undervalued if its current price is less than its fair value. In contrast, the price of overvalued stocks is

higher than their fair value. Overvalued stocks are usually very popular as investors have high expectations from such stocks. These shares offer low dividend yields with not much margin of safety.

WHY IS VALUATION IMPORTANT?



Overvalued shares carry high levels of investment risk with little to no potential for capital appreciation. This type of stock should always be avoided. In comparison, investing in an undervalued stock might reap massive returns.

Hence, share valuation is important when investing in the equity market. It helps in assessing whether the investors would be able to meet their objectives.

Valuation is also a helpful and effective management tool. It could help the company gauge its strength and decide on viable projects. These decisions include strategic planning, capital financing, etc. The process of valuation is important to find the stock's fair value. It helps assess the company's fundamentals and estimate whether its share price reflects its fair value. This process helps estimate whether a stock is overvalued or not. This determines whether the value of an investment will increase in the future.



VALUATION RATIOS

Valuation Ratios are the most widely used methods to value stocks. They are financial tools that assess the relationship between the stock price with other financial factors, like earnings, book value, sales, cash flow, and dividends. These ratios are usually computed after thoroughly analysing the company's financial statements.

Valuation ratios help determine the investment potential of a company's stock. This allows investors to pick the most profitable stock. They are also used to compare a company's performance with similar companies.

Here are some important valuation ratios every investor should know.



PRICE-TO-EARNINGS (PE) RATIO

The PE ratio is one of the popular financial ratios. It indicates the amount investors are willing to pay for each rupee of the company's profits. It compares the company's current share price and earnings per share (EPS). EPS is the company's net profit divided by its total number of shares.

$$\text{PE Ratio} = \frac{\text{Current Market Price}}{\text{Earnings Per Share}}$$

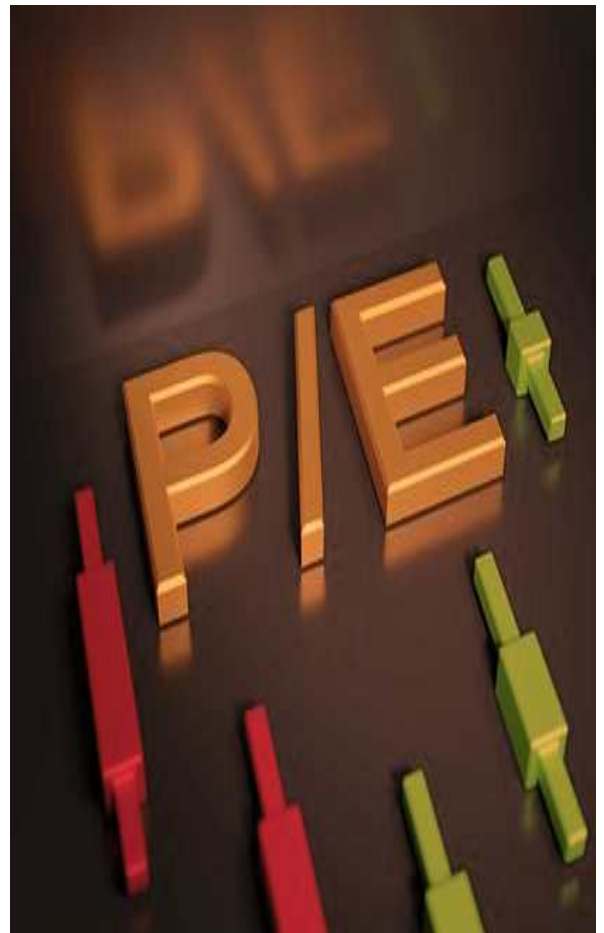


HOW TO USE PE RATIO?

A low PE ratio means that the company's shares are undervalued because the company is making the maximum profits possible. This implies that the shares are available at an attractive evaluation.

Usually, a high ratio means that investors have high expectations for the company's future and are willing to pay a premium. Another interpretation could be that the stock is comparatively overvalued at its current earnings levels.

It's important to compare a company's PE ratio with its peers and competitors for a better understanding of the share value. You could also compare the current and past PE of the same company.



ADVANTAGES



Price to Equity ratio is easy to calculate. The data required to calculate this ratio can be easily found. You can quickly compare the PE ratios of peers and competitors.

LIMITATIONS

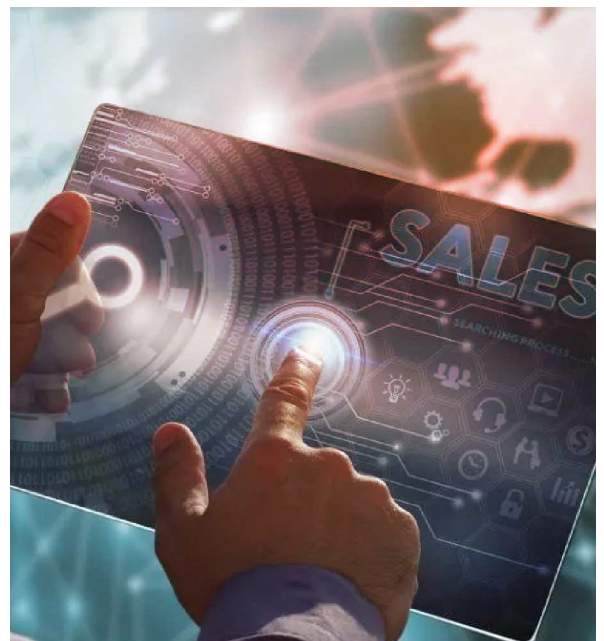


PE ratios can be easily manipulated because earnings are calculated on an accrual basis. This ratio also doesn't consider the company's debt or earnings growth.

PRICE-TO-SALES (P/S) RATIO

The P/S ratio shows how much the investors are willing to pay for each rupee of sales a company generates. It is often used for companies that don't have a positive net income. This ratio is also called the sales multiple.

$$\text{P/S Ratio} = \frac{\text{Market Capitalisation}}{\text{Annual Sales}}$$



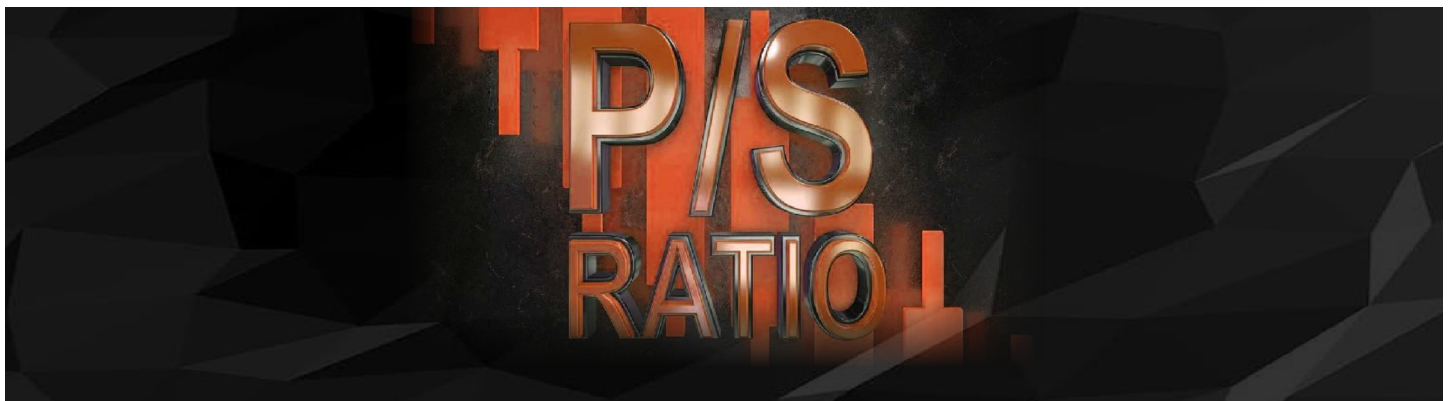
HOW TO USE P/S RATIO?

The ideal range of the P/S ratio varies from industry to industry. It is essential to compare the ratios of similar or competing companies in the same business field.

Usually, a high ratio could mean that the investors have high expectations for the

company's future and are willing to pay a premium for each rupee of sales.

A low P/S ratio means the company's shares are undervalued, which could be a potentially profitable investment opportunity.



ADVANTAGES



The ratio is difficult to fudge due to accounting shenanigans. It is a relatively stable metric since it is based on revenues rather than earnings.

LIMITATIONS



The ratio doesn't factor in profitability while evaluating a stock.



CONCLUSION

Navigating the realm of stock valuation is a vital skill for successful investing. The various valuation methods are powerful tools for assessing a company's financial health and potential.

Remember that no single metric holds all the answers. Valuation ratios are best used collectively, as each offers a unique perspective on a company's value. As you continue your investment journey, remember the importance of aligning your stock selections with your overall investment strategy and objectives.

Stocks To Bet On



ACC Ltd



Bharat Forge Ltd



Bharat Heavy Electricals Ltd



Birlasoft Ltd

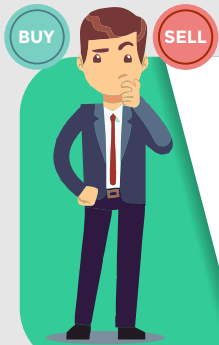


Federal Bank Ltd

Exclusive Recommendation By:

EquityPandit Financial Services Pvt. Ltd.

(SEBI Registration Number INA000006688)



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