# STOCKMARKET JOURNAL

**EMPOWERING TRADERS AND INVESTORS** 

Stock Market Outlook

> Stocks To Bet On

Unlocking The Potential: How Financial Statements Analysis Impacts Stock Evaluation

> **Emerging Fintech Technologies Transforming** Finance Industry In 2024

> > A Comprehensive Guide For Investing In

Unveiling Factors That Sway Gold's Glittering Trajectory



**Unveiling The Hyundai Motor India Limited IPO** 

A Closer Look

## From The

# Founder's Desk



### INDIAN STOCK MARKET JOURNAL

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

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

Dear Readers,

Among many things happening nationwide, including India's triumphant victory in the T20 World Cup against South Africa and the beginning of monsoon. This edition of the ISMJ brings you a closer look at Hyundai Motor India's Rs 25,000 crore mega IPO and its potential impact on the market, along with insights into the company's growth strategy and future prospects.

This edition also includes a comprehensive guide for investing in US mutual funds, including benefits, risks, how to choose the right funds, and strategies for investing. This edition will also help you understand the different factors that play a crucial role in determining gold prices and how they affect them.

In this edition, we will also understand the emerging technologies in the financial technology (Fintech) industry that are transforming the finance industry in 2024 and how they have benefited from the evolving AI-based technology. We also covered what is financial statement analysis and how understanding a company's financial health and its potential for growth is critical for making informed decision while investing.

We want 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

Founder

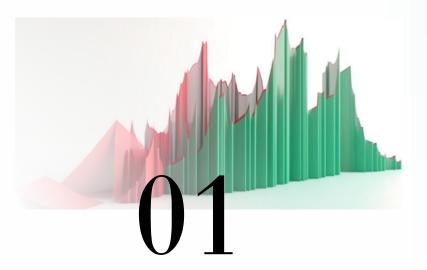
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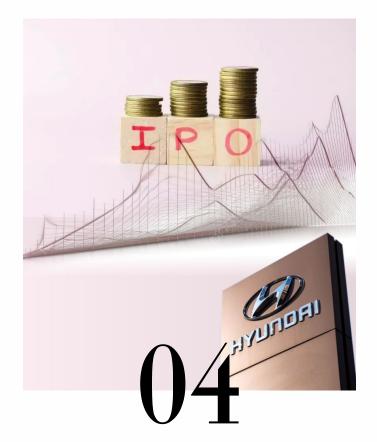




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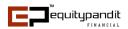
# **NIFTY**

Nifty has been on an impressive upward trajectory, achieving new highs regularly. Nifty ends above much-awaited psychological levels of 24000, marking a significant milestone for daily, weekly and monthly gain.

Nifty witnessed a bullish channel breakout on weekly charts connecting highs of July 2023 and January 2024. This indicates strong upward momentum. If the current trend continues, we may expect more bullish movement ahead of the union budget.

Nifty is expected to trade in a range of 22800 on the downside and 25200 on the upside. Nifty has crucial support of trend line at 22600 levels, closing below said levels on a weekly basis to activate possible





bearish trend in index. Nifty has resistance at 24800 and 25200 levels.

RSI is clearly trending upward which shows bullish momentum to continue in the

coming time. Though RSI trending in overbought territory and risk-reward ratio is not favourable, it is wise to enter on follow through.

# **BANK NIFTY**



Bank Nifty showing strong momentum backed by heavy buying from institutional investors. Institutional investors were comfortable with private banks' valuation compared to other sectors. Private Banks have higher weight age in broader indices which helps broader indices to keep momentum ticking.

Near term support for Bank Nifty at 51000 and 49000 levels while 54500 and 55500 acts as crucial resistance.

Bank Nifty is trading above its upper Bollinger band indicator, which suggests strong bullish momentum. However, this is a rare event and it indicates a highly overbought market which retraces sooner than later. RSI indicators are also trending in the overbought zone so keep utmost caution in fresh buying.





# Upcoming Trading Holidays

# Independence Day

August 15, 2024

Thursday



# Unveiling The Hyundai Motor India Limited IPO

A Closer Look







The Hyundai Motor India Limited (HMIL) IPO opening and closing dates are not fixed yet. Hyundai Motor India aims to raise around Rs 25,000 crores via IPO. It will comprise offers for sale (OFS), according to its Draft Red Herring Prospectus (DRHP).

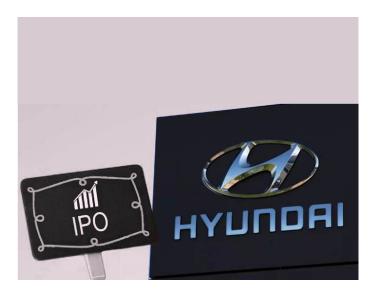


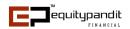
Hyundai Motor India Limited (HMIL) operates as a fully owned subsidiary of Hyundai Motor Company (HMC).

On June 14, 2024, Hyundai Motor India

filed its DRHP with the SEBI to opt for an IPO. The parent company, Hyundai Motor Company, plans to sell 142.2 million shares, which represents 17.5% of the company.

Hyundai Motor India IPO Lead Managers namely Merchant Bankers, include Kotak Mahindra Capital Company Limited, Citigroup Global Markets India Private Limited, HSBC Securities and Capital Markets India Private Limited, J.P. Morgan India Private Limited, and Morgan Stanley India Company Private





Limited. KFin Technologies Limited will be the registrar of the issue.

The key details of the Offer Structure of Hyundai Motors India to be offered in the IPO are as follows, 50% of shares are reserved for QIBs, 35 % for retail individual investors, and 15% for non-institutional investors.

The Offer aims to sell up to 14,21,94,700 Equity Shares by the Promoter Selling Shareholders and list the Equity Shares on the Stock Exchanges. The Company will not receive any proceeds from the Offer. All the Offer Proceeds will be received by the Promoter Selling Shareholder after the deduction of expenses and taxes.

# Why Is Hyundai's Subsidiary Preparing To Get Listed In The Indian Stock Market?

Hyundai seeks to benefit from India's growing market. The company aims to increase its value and address "Korean Discount." This term describes lower valuations of South Korean companies compared to international ones.



By listing its Indian branch, Hyundai hopes to raise its value and attract more investors. According to the DRHP, it will be offered for sale (OFS) for its existing promoters. This strategy aims to create value in the Indian business.

Hyundai has invested USD 5.04 billion (approximately Rs 29740 crores) in its India operations since inception until December 2023. FY2023 financials show a profitable business. It has been built in India for over two decades.

Annual revenue is close to Rs 59761 crore. The net worth is Rs 19778 crore. With optimism in Indian equity markets, the company believes it's a good time for promoters. Further, selling the stake would benefit them. The company's Indian operations have been growing faster than the rest of the world. Listing would improve the value recognition of the company.

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# **About Hyundai Motors India**

Founded on May 6, 1996, HMI has 1366 sales points and 1,550 service points across India. They offer a variety of car models namely, Grand i10 NIOS, i20, i20 N Line, AURA EXTER, VENUE, VENUE N Line, VERNA CRETA, CRETA N Line ALCAZAR, TUCSON, and all-electric SUV IONIQ 5.





HMI's manufacturing plant near Chennai is designed to produce the entire range. They create vehicle models efficiently. HMI is also part of HMC's global export hub. They export to Africa and the Middle East as well as Bangladesh, Nepal Bhutan, and Sri Lanka.



# **Risks Stated In The DHRP Of The Company**

Before considering applying for the Hyundai Motors India IPO it's important to carefully evaluate potential risks associated with the company's business. The Draft Red Herring Prospectus (DRHP) disclosed several key risks that potential investors should take into account.



Hyundai Motor Company has related party transactions with other companies within the Hyundai Motor Group. This includes Kia Corporation and Kia India Private Limited. Such related party transactions could lead to conflicts of interest, which could negatively impact Hyundai's business operations.

# Manufacturing Plant Disruptions

Hyundai currently manufactures passenger vehicles and parts at the Chennai Manufacturing Plant. Any disruptions or stoppages at this plant as well as at Talegaon Manufacturing Plant once it becomes operational could



significantly affect Hyundai's operations, financial condition, and results of operations.

## **Government Incentives**

Hyundai Motor India benefits from various incentives offered by the Government of India and state governments. These include electricity tax exemptions investment promotion subsidies and customs duty drawbacks. Any reduction or elimination of these incentives due to policy changes could have a material adverse effect on Hyundai's business. This would impact its prospects, financial condition results of operations, and cash flows.



# Dependency On SUV Sales

Hyundai's business in India heavily relies on the sales of SUV models. Any decrease in the demand for or disruption in the manufacture of SUVs could significantly impact operations. Other passenger vehicle models may also face similar risks in the future.



# Supply Chain Risks

Hyundai sources parts such as trims, engines and transmissions. They also procure materials like steel from both domestic and foreign suppliers. Any increase in the prices of these parts and materials could adversely affect its business operations.



# **Other Similar Indian IPOs**

Hyundai Motor India is set to raise a significant amount in its upcoming share sale. The expected proceeds from this sale could surpass the record-breaking Rs 21,000 crore generated from LIC's recent share sale. This would set a new milestone in India's financial markets.

Other major initial public offers that have made significant impacts on the Indian stock markets include Paytm's Rs 18,300-crore IPO, Coal India's Rs 15,457-crore IPO, and DLF's Rs 9,188-crore IPO.





# Financials Of Hyundai Motors India, As Per Its DRHP Filed With SEBI.

Particulars	As at and for the nine months ended December 31, 2023	As of and for Financial Year ended March 31, 2023	As of and for Financial Year ended March 31, 2022	As of and for the Financial Year ended March 31, 2021
Restated earnings per equity share				
Basic earnings per share (1)(2) (in Rs)	53.94	57.96	35.71	23.15
Diluted earnings per share (1)(2) (in Rs)	53.94	57.96	35.71	23.15
Return on Net Worth (%)	22.16	23.48	17.21	12.29
Net Asset Value Per Equity Share (in Rs)	243.41	246.82	207.45	188.44
EBITDA (Excluding Other Income) (5) (Rs in million)	66,107.74	75,487.80	54,860.89	42,456.61

# Conclusion

The HMIL IPO will not be opting for fresh issues. Instead, it has opted for an offer for sale. Upon completion of the Offer, the Company will not receive any proceeds. Instead, all funds generated from the Offer will be received by the Promoter Selling Shareholder once expenses and taxes have been deducted.

# A Comprehensive Guide for Investing in US Mutual Funds





Investing in mutual funds has long been a popular choice for both novice and experienced investors looking to diversify their portfolios. Investing in US mutual funds from India offers a promising opportunity for diversification and access to global markets. However, it involves understanding certain regulatory, financial, and logistical aspects. US mutual funds, in particular, offer a range of options that cater to different financial goals and risk tolerances. This comprehensive guide will walk you through the basics of mutual funds, the benefits and risks, how to choose the right funds, and strategies for investing.

# How To Invest In US Mutual Funds From India?

At present, Indian mutual funds offer only one avenue for investing in US stocks. Individuals can choose to invest in US-focused international mutual funds as a means to access the US stock market. These funds are typically comprised of overseas FoFs (fund of funds) or other international mutual funds.

An international mutual fund is a type of investment scheme that primarily

allocates its funds to equity or equityrelated instruments of companies listed in foreign markets. Additionally, it may also invest in debt securities.





# Why Invest In US Mutual Funds From India?

### **Diversification Of Portfolio**

Investing in US mutual funds can assist in diversifying portfolios and minimize overall investment risk. The reason for this is that the stock market in the United States is renowned for being one of the largest and most well-established in the world. It encompasses a wide range of businesses and sectors, providing extensive coverage. By investing in a mature market like the US, you can introduce stability to your investment portfolio. This is in contrast to the emerging markets of India, which have a tendency to be more volatile.



### **Opportunity For Long-term Growth**

Investing in mutual funds in the United States can be a strategic approach for long-term growth. Over the years, the US economy has consistently shown resilience and flexibility, making it an ideal market for building a well-diversified investment portfolio that can potentially yield substantial returns over an extended period of time.





### **Fund Management**

These particular investment funds are managed by capable and proficient fund managers who conduct thorough research and analysis. By relying on the expertise of these professionals, you can enhance your investment decision-making process, potentially resulting in increased returns and improved risk management.



### **Access to Leading Companies**

The United States houses numerous multinational corporations and tech behemoths. Several of the most triumphant companies worldwide, such as Apple, Amazon, and Google, are publicly traded on the US stock market. By investing in US stocks, you have the opportunity to gain exposure to these companies and reap the rewards of their profitability and expansion.



# Liquidity

Mutual fund shares can be bought or sold on any business day, allowing investors to access their funds with ease and make timely adjustments to their investment strategies without having to wait for specific trading windows.





# Factors To Consider While Investing In US Mutual Funds

### **Access Risk Tolerance**



Foreign mutual funds that focus on the United States offer the advantage of diversification. However, it is crucial to acknowledge that investing in overseas markets comes with its own set of risks, including regulatory challenges and economic factors. Therefore, it is imperative to carefully evaluate these risks before making any investment decisions.

### **Determine Investment Goals**

Clearly defined goals help you select the right mutual funds and stay focused on your financial objectives, ensuring that your investment plan aligns with your desired outcomes.



### **Tax Implications**

Discover the tax consequences of investing in US mutual funds from India. The tax implications vary depending on factors such as the duration of the investment, profits from capital appreciation, and earnings from dividends.





### **Research Fund Performance**

Investigate the historical returns of the fund to understand how it has performed over various time periods. While past performance does not guarantee future results, it can provide valuable insights into the fund's management effectiveness and risk-adjusted returns, helping you make a more informed investment decision.



# Risks Involved In Investing In International Mutual Funds

Investing in mutual funds involves various risks that investors should carefully consider. Exposure to foreign securities can be affected by changes in exchange rates, foreign government regulations, geopolitical events, and differences in market practices, which can all contribute to increased volatility and uncertainty. Understanding and mitigating these risks are essential aspects of building a well-rounded investment









Conclusion

Investing in US mutual funds can be a powerful way to grow your wealth over time. By understanding the different types of mutual funds, assessing your risk tolerance, and employing effective investment strategies, you can make informed decisions that align with your financial goals. Remember to conduct thorough research and consider consulting a financial advisor to tailor your investment strategy to your unique needs.

Happy investing!

**Unveiling Factors That Sway** 

# Gold's Glittering Trajectory





The eternal allure of gold has captivated civilizations across millennia, rendering it a timeless emblem of wealth, stability, and cultural significance. From treasures of ancient empires to modern-day investment portfolios, this metal has played an unforgettable role in human history. Yet, behind its shining surface is a complex mix of forces that control its changing value, making investors and enthusiasts wonder about the mysterious factors that affect its unpredictable price changes.



# **Understanding The Gold Price Surge**

You might have observed the news headlines declaring historic peaks in the value of gold. However, what is the precise cause behind this sudden increase? Essentially, the surge in gold prices results from a blend of economic, geopolitical, and market-related elements that impact investor confidence in this secure investment.





# **Investment Demand And Inflation Hedging**

In the world of investments, gold stands out as a symbol of stability during economic uncertainty. Its inherent value and scarcity make it a popular choice for protecting wealth against inflation. As inflation rates rise, gold becomes more attractive, increasing demand and increasing prices.



# **Demand And Supply Dynamics**

The balance between demand and supply is at the heart of gold's value, which determines its worth. Gold's scarcity makes it highly desirable, as people worldwide constantly use up the limited amount of this rare metal.



### Gold's Role As A Safe Haven

In the unstable global economics and geopolitics world, gold is seen as a reliable anchor and safe haven, standing firm when other assets are volatile. During times of high uncertainty, such as political upheaval, economic downturns, or international conflicts, investors turn to the security of this precious metal.





### **Cultural And Seasonal Trends**

Beyond its economic and investment aspects, gold's appeal is deeply connected to cultural heritage and traditions. In India, this precious metal is highly valued and seen as a symbol of prosperity, divinity, and family legacy.



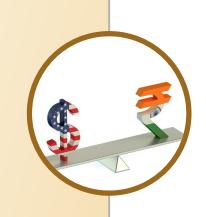
# **Impact Of Government Reserves**

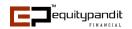
Governments and central banks worldwide wield significant influence over the gold market's dynamics, casting a shimmering shadow over its price movements. Strategic buying and selling, guided by economic policies and reserve management strategies, can greatly impact the delicate equilibrium between supply and demand.



# **Rupee-Dollar Equation**

In the complex dance of global markets, gold's value is closely linked to the movement of currencies, especially the powerful US dollar. Because much of the physical gold is imported, if the rupee weakens against the dollar, the price of gold in rupee terms tends to rise. As a result, a depreciating rupee could reduce the demand for gold in India.





### Gold's Delicate Dance With Interest Rates

The relationship between gold prices and interest rates is complex and nuanced. Traditionally, they move in opposite directions: when interest rates rise, gold prices often fall, and when interest rates drop, gold prices tend to increase.



# **Geopolitical Tensions And Conflicts**

Global affairs, geopolitical tensions, and conflicts can significantly impact the gold market, shaping its value in intricate ways. As countries navigate political unrest, trade disagreements, and international disputes, investors frequently turn to gold's enduring appeal as a safe haven.



### **Investor Sentiment**

Investor sentiment creates a complex pattern that influences the valuation of precious metals. The rise and fall of investor emotions can drive gold prices to soar or descend into uncertainty.



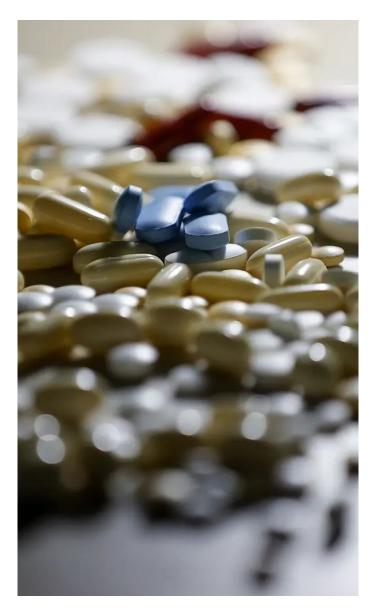




# Why Is Gold So Valuable?

Gold is valuable for several reasons. Its rarity and unique physical properties, such as being non-corrosive and highly malleable, have made it a desirable material throughout history. Gold has been used for currency, jewellery, and art, symbolizing wealth and status. Its historical role in the gold standard, where currencies were backed by gold, further underscores its importance. Today, gold remains a reliable store of value and a





hedge against inflation and economic uncertainty. Gold's practical uses in electronics, medicine, and aerospace add to its demand. All these factors combined make gold a highly valued and sought-after asset.





# Conclusion

In conclusion, the gold market is like a complex tapestry made up of many different threads, each representing a factor that affects gold's value. From the balance of supply and demand to geopolitical tensions and cultural traditions, this tapestry shows how fascinating and complicated gold is. Understanding gold's price movements means looking at all these factors together. It's not

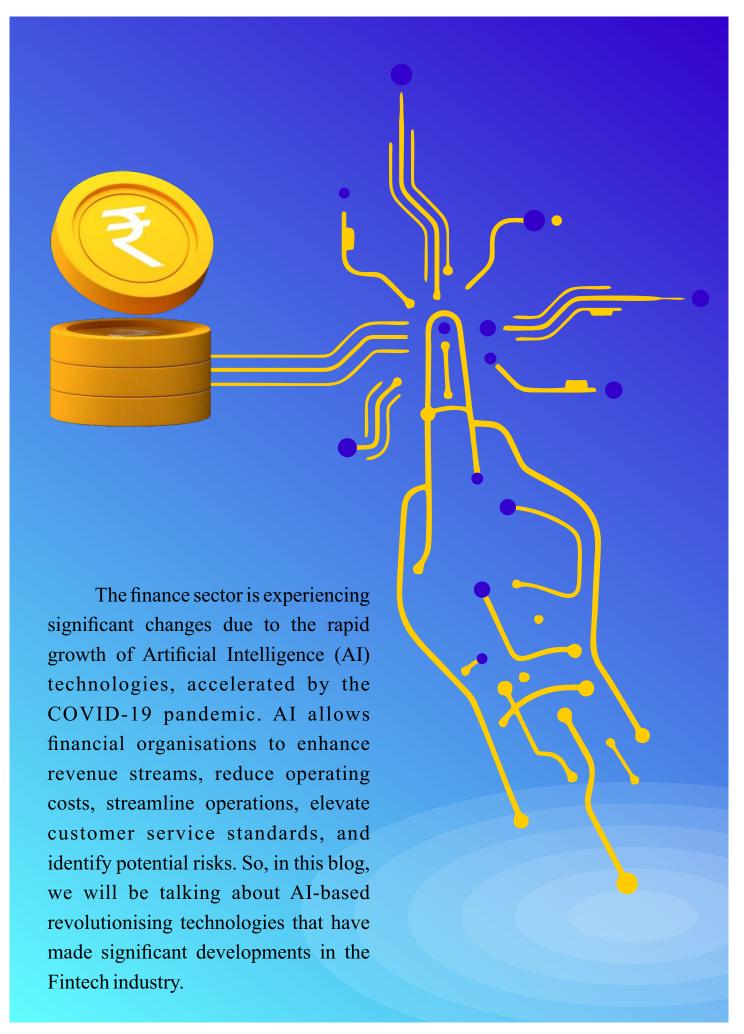
simple, but that makes studying gold even more interesting. Whether you're an investor trying to understand the market, a policymaker working to create a sustainable industry, or someone who loves the timeless appeal of gold, this tapestry offers valuable insights. By examining these threads, we can better understand what shapes gold's value and appreciate how interconnected our world is.



# Emerging Fintech Technologies

Transforming Finance Industry in 2024







# History And Background



Artificial intelligence (AI) has recently become integral to financial institutions' operations. Its applications in finance range from supporting lending decisions and fraud detection to enabling personalised customer experiences. Moreover, AI drives business process automation, improving financial institutions' customer service and operational efficiency.

This progressive integration of AI in the financial sector continues a trend where institutions consistently embrace technological innovations to redefine customer interactions.

From the introduction of ATMs in the 1960s to the advent of electronic, card-based payments in the 1970s, financial institutions have been continuously adopting new technologies to enhance their services.





The 2000s marked the widespread adoption of 24/7 online banking, a significant shift in the industry. The 2010s were characterised by the development of mobile-based fintech apps, enabling customers to bank on the go.

As we look ahead to 2024, the evolution and adoption of these technologies are poised to bring about even more significant changes in the financial market.

Segments where Financial Institutions and other businesses have benefited from the evolving AI-based technology are discussed below.





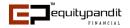


# Credit Cards And Al

Credit card companies use AI to analyse your credit report data to offer personalised credit card offers based on your credit history and spending habits. AI can also determine your preferred account features and usage patterns.

Additionally, AI analyses transaction data and customer demographics to optimise pricing for specific customer segments. This use of AI is transforming the finance industry and promising a brighter future for better outcomes.





# В

# Forecasting And Management Of Bad Debt With Al



Bad debt is a major issue for any country's economy, affecting financial profitability and stability. Artificial intelligence can help by using data analysis and predictive capabilities to forecast and manage bad debt. AI analytics can predict customer payment behaviors, detect early warning signs of default, and proactively address potential issues. This approach provides a sense of reassurance in the system's capabilities.

# C

# Al In Generating Financial Reports

Financial reporting is very important for businesses. It can be slow and prone to mistakes because of manual data entry, complex calculations, and changing regulations. AI-powered systems can



automatically create financial reports using set templates and formats. They can extract the needed data, do calculations, apply accounting rules, and create reports without needing humans.

Automated report creation allows for greater flexibility. Reports can be made on demand or set to run at specific times, which gives real-time insights for making decisions. This smoother process:

- Makes everything more efficient
- Increases data accuracy
- Helps companies make quick, informed financial decisions.





# Automated Data Collection



Collecting and checking data from different sources, such as ERP systems, spreadsheets, invoices, bank statements, and tax forms, can be very time-consuming. AI can make this process easier by automating it, organising the data, and organising it from structured and unstructured documents.

# Е

# Data Validation And Accuracy

AI models can help financial institutions check data for accuracy and completeness. Using different algorithms, AI can validate financial data, ensuring its reliability and reducing the chance of mistakes in financial reports.

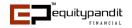




# Risk Management

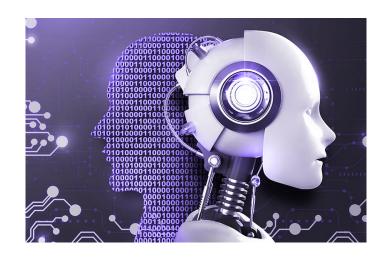
AI technology helps institutions effectively assess and manage credit, market, and operational risks. AI-driven risk assessment models provide rapid and accurate evaluations, enabling well-informed decisions and contributing to reducing losses and optimising capital. Ultimately, this leads to more robust risk management practices in the financial sector.







# Enhanced Data Quality And Compliance



Collecting and checking data from different sources, such as ERP systems, spreadsheets, invoices, bank statements, and tax forms, can be very time-consuming. AI can make this process easier by automating it, organising the data, and organising it from structured and unstructured documents.

# Н

# Optimising Investment Portfolios

Investment firms increasingly use AI-backed models for stock trading to optimise investments, reduce costs, and potentially increase customer returns. This technology enables more accurate decision-making in allocating investments across various assets and financial instruments, benefiting the firm and its clients.

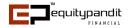




# Al In Fraud Detection

Financial institutions are increasingly using AI in fraud detection to automate loan application processes, expedite credit approval, and prevent fraud. AI's advanced data analysis, pattern recognition, and real-time monitoring capabilities enhance the identification of irregularities

and potential fraud, bolstering the overall safety and integrity of financial transactions. AI-driven fraud detection and prevention models use advanced algorithms to detect and flag unusual patterns in a user's spending behavior in real-time, preventing fraudulent





transactions. Data engineers train AI models with both legitimate transaction information and fraudulent transaction details to help them become agile, versatile, and capable of real-time analysis. These models continuously update and self-learn, incorporating the latest data to enhance overall fraud detection and prevention capabilities.

# J

# Uncovers New Opportunities

AI technology is revolutionising the way institutions operate by leveraging advanced data processing and analysis capabilities to uncover new opportunities. Financial institutions are using AI to create tailored value propositions, provide personalised services, and enhance overall economic performance. They are adopting an AI-first mindset to ensure that AI capabilities align with their business objectives and deliver tangible value.





# Al In Algorithmic Trading

AI has revolutionised algorithmic trading, enabling computer algorithms to automatically execute trading orders. Machine learning processes empowered by AI analyse real-time data to make swift, informed decisions on stock





transactions and identify profitable opportunities while mitigating risks. AI's advantages in algorithmic trading include processing huge amounts of real-time data,

spotting patterns, making predictions, understanding sentiment, high-speed trading, and developing quantitative trading strategies.

# L Personalised Wealth-Management With Al

AI technology can help you manage your money better by analysing data and finances to make personalised investments, understand and manage risks, and improve your portfolio's performance. AI-driven financial planning offers tailored investment strategies, automated investment advice, risk evaluation, behavioral finance insights, continuous monitoring, and tax optimisation for efficient investing.



# Conclusion

AI technologies can significantly increase revenues for financial institutions and businesses by providing personalized customer experiences, customizing product recommendations, enhancing credit risk assessments, automating customer onboarding, and refining pricing and bundling strategies. Additionally, AI reduces costs by automating

data entry and transaction processing tasks. Banks and financial institutions can use advanced analytics and AI to boost sales and revenue by tailoring product offerings and pricing strategies. By evaluating real-time customer data and market trends, AI identifies optimal pricing and bundling strategies, enhancing the overall customer experience.

# Unlocking the Potential:

**How Financial Statements Analysis Impacts Stock Evaluation** 







Financial statement analysis is key part of fundamental stock analysis. Investors use it to evaluate a company's stock's intrinsic value. Financial statements provide numerical values. These values give insight into key economic factors. These factors include earnings valuation, dividends and profitability.



Here are some financial statements that are important for fundamental analysis of a Company's stock:

### **Balance Sheet**

Measures company's assets liabilities and shareholders' equity to help investors understand its financial stability. Leverage and capital structure.



### Income Statement

A company's financial position and performance over time is evaluated by looking at revenue. Expenses and profits earned are also crucial.

# **Cash Flow Statement**

Records cash used in investing financing and generated during day-to-day operations. This gives investors a snapshot of the company's everyday performance



# **Other Financial Statement**

Other financial statement analyses that are important for fundamental analysis include Ratio Analysis. Some of them include:

### a) Current ratio:

Measures a company's ability to pay its current liabilities by dividing current assets by current liabilities.

### b) Debt-equity ratio:

A ratio of less than one is ideal.



Fundamental analysis helps determine stock's fair price predict market trends and avoid companies with high debt. Financial statement analysis is essential for evaluating company's intrinsic value. It uses key financial statements like balance sheet, income statement and cash flow statement. Important financial ratios like current ratio and debt-equity ratio are also used.

Fundamental analysis equips investors with necessary tools. It helps determine company's stock's fair price. It predicts long-term market trends. It also helps



avoid investing in companies burdened with high debt. Such debt could potentially diminish returns.

The Fundamental Analysis of Stocks is a comprehensive approach. It assesses true worth of a company's stock. The process involves thoroughly examining external factors and financial statements. It also looks at industry trends to gauge stock's intrinsic value. By conducting fundamental analysis investors aim to ascertain whether current market price of a stock accurately reflects its true value. They assess if it is either overvalued or undervalued.







Fundamental analysis relies on three primary sets of data to make these determinations:

### 1. Historical Data:

This includes reviewing company's past performance. Such as its revenue earnings and growth trends over time

### 2. Publicly Available Information:

Analysts consider all publicly disclosed data about company. This includes financial reports. Press releases and industry news that could impact the company's present and future performance.

### 3. Private Yet Relevant Information:

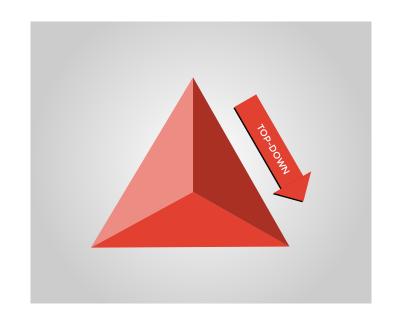
This encompasses non-public details that could impact company's prospects such as insights into management's approach to handling crises. And emergencies.

Fundamental analysis meticulously analyses these data sets. Enabling investors and analysts to deeply understand company's fair value. And providing valuable insights for informed decision making.



Two distinct methods are commonly used for the fundamental analysis of stocks: the topdown approach and the bottom-up approach.

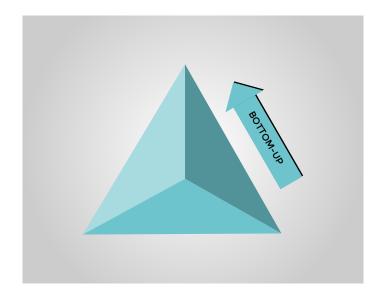
1) The top-down approach involves evaluating macroeconomic and microeconomic factors affecting company. The Cash Flow Discount Method analyses company's cash flow over time. This determines its value. The Price-to-Earnings (P/E) Ratio compares company's stock price to its earnings per share. The Price-to-Book (P/B) Ratio compares stock price to its book value per





share. Additionally the Dividend Discount Model (DDM), Price-to-Sales (P/S) Ratio and Earnings Yield are important valuation tools. It's important to consider strengths and weaknesses of these methods and integrate them for comprehensive company valuation.

2) Conversely, bottom-up approach takes different route. It involves thoroughly analyzing company's financial records. This includes levels of indebtedness, spending patterns growth trajectory, income and overall performance. Internal factors are assessed carefully. Then



experts evaluate broader macroeconomic factors. This includes industry conditions and the overall state of country's economy.

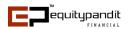


To conduct a thorough fundamental analysis of stocks, it's important to follow several key steps:

# **Understand The Company**

Gain comprehensive understanding of company you're considering investing in. This involves exploring company's website. Learn about its management team. Investors promoters, annual performance. Examine range of products and services.





# **Analyze Financial Ratios**

Utilize financial ratios to gauge the company's financial performance and valuation. Common financial ratios to consider include:

- The price-to-earnings ratio (P/E ratio)
- Price-to-sales ratio (P/S ratio)
- Price-to-book ratio (P/B ratio)
- Debt-to-equity ratio



# **Determine A Fair Value**

Following analysis of the company's financial performance establish fair value for the company's stock. Compare this value with the current market price. Ascertain whether the stock is overvalued or undervalued.



# **Check The Debt**

Evaluate the company's debt situation. Excessive debt can significantly impact its performance. Avoid businesses burdened by substantial debt.





# **Check The Company's Financial Performance**

After gaining insights into the company:

- Delve into its financial reports.
- Examine balance sheets. Profit-loss statements.

  Cash flow statements. Operating costs.

  Revenue. Other financial metrics.
- Assess the compounded annual growth rate (CAGR) and sales performance, and look for consistent and healthy growth in net profits.



# **Analyze The Prospects**

Seek out companies for long-term investments, focusing on products and services that will remain relevant and in demand 15-25 years from now.



# **Timely Review**

Continuously monitor your investments. Periodically evaluate company's financial performance and market position. Look for recent events. This includes mergers and acquisitions new product launches and legal implications. These could influence company's future performance.





# **Limitations Of Fundamental Analysis**



When using fundamental analysis to evaluate stocks it's essential to consider limitations of this approach. One primary drawback is time it takes to see results of fundamental analysis. While it can uncover overvalued or undervalued stocks. It may take a considerable amount of time for the market price to adjust accordingly. Therefore, investors should be prepared to determine potential timeline for realizing profits based on their fundamental analysis.

2

Another limitation is reliance on historical financial data. This introduces bias. It may not accurately reflect future performance or market conditions. Additionally financial statements can be subject to manipulation. Different accounting practices across companies can further complicate the analysis.

3

Moreover it's important to recognize that different sectors may require varying approaches to assess company's value. Investors may need to focus on only few sectors to effectively apply fundamental analysis. And manage time constraints.



Maintaining objectivity in fundamental analysis can also be challenging. Economic factors like inflation. Interest rates and geopolitical events can significantly impact company's performance making it difficult to predict future profitability.

5

Furthermore fundamental analysis is generally more applicable to established companies. These firms have a proven track record of financial performance. It may be less effective when assessing newer companies rapidly evolving companies lack historical data. Future performance can also be unpredictable.

# CONCLUSION



Understanding company's financial health and potential for growth is critical for investors. By analyzing financial statements industry trends and economic indicators. Investors can make better decisions. This analysis can also help identify stocks currently undervalued but have long-term growth potential. With thorough research and analysis investors can integrate fundamental analysis into their stock investing strategy. And create diverse portfolio positioned for long-term success in the stock market.

ISMJ July 20



# Stocks To Bet On





The Bata Corporation



Deepak Fertilisers and Petrochemicals Corporation Ltd



**Lupin Ltd** 



**Granules India Ltd** 

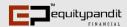


Nath Bio-Genes (I) Ltd

Exclusive Recommendation By:

**EquityPandit Financial Services Pvt. Ltd.** 

(SEBI Registration Number INA00006688)





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The business is supported by efficient, powerful research and back-office team. EquityPandit's set of diligent advisors helps its customer plan and get more out of one's money. We offer a diversified range of product according to the difference in needs of an investor, trader or a broker.

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