FUNDAMENTAL ANALYSIS FOR INVESTORS

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General meaning

Fundametan analysis is the one methode of investment. In it the purpose is for long term investment.investor looking inside the company managemt, future plans& projects, stable costomer base, pe ratio, pb ratio, cash flow statement, statement of income, balance sheet,ratio analysis,market share of company, after considering all the paramitors investors go for investing. The main goel of long term investing is the creation of wealth. For long term investing does not empact of tempory changing of price of securities. The altemately looking for rising the price of securities and become multibeger of such securities.

PE RATIO

Price earning ration refered as a pe ratio. It means that how many times of share price of securities of eps(earning per share) it is computed as below

$$\text{Pe ratio} = \frac{\text{market price of securites}}{\text{Earning per share}}$$

Generally higer pe ratio is refered as a over valuation of securities. And very low pe ratio is refered as a under valuation of securities. Generally 10 to 15 pe ratio is treated as a standard ratio. Everey investors before investing considering the pe ratio as a most preferable paramitors for investment analysis.

PB RATIO

Pb ratio is refered as a price to book ratio. It mean that how many times of market price of securities in compare to book value of company.pb ratio computed as below:

$$\text{Pb ratio} = \frac{\text{market price of securites}}{\text{Book value of securites}}$$

Market price of securites = ltp from dereved nse or bse

Book value of securites = net asset of company by computing total asset of company less total liability of company from balance sheet.

Generally higher pb ratio indicating overlaued of securites. The standard pb ratio is 1 to2 more than that denotes higher price of securites and lower to 1 indicating undervaluation of securites.every investors considering pb ratio before invest in securities.

RATIO ANALYSIS

Ratio analysis is the one method of analysis considering of ratio's of current period to past period, future period and industry at large. Ratio analysis is also help for identify consisteny of financial statement of company. Generally types of ratio including financial ratio, leverage ratio etc. For investing purpose generally people looking ratio's like net profit ratio, debt equity ratio, return on net worth ratio, return on capital employed, return on equity,dividend yield ratio, dividend payout ratio etc. Investors fundamently looking ratio's and then for go for investing in the company.

MARKET CAPITALIASATION

Market capitaliasation is refered as a marhet value of securites of company. It is computaed as below:

Market capitaliasation = (total no. Of shares of company)* (market price of share)

On the basis of market cap. Companies are byfergated as a large cap, mid cap and small cap. In the world amazon having highest market cap. Company having 1.71 trillian usd and in india reliance is the highest market cap. Having 1245257 crore indian rupees. The growth potential are very high in the small cap and mid cap. Company and in the large cap growth potential is steadliy or consistant not much higher as compared to small and mid cap.

THANK YOU