

FUNDAME

NTAL

ANALYSIS

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The Fundamental Analysis

- Fundamental Analysis is an evaluation which takes place a lot of information about the past performance and expected future performance of companies, industries and economy as a whole before taking an investment decision.
- Thus we can say that fundamental analysis can be classified into the following types:
 - Economic analysis
 - Industry analysis
 - Company analysis

Cont...

- Economic analysis: evaluates current economic environment and its effect on industry and company fundamentals
- Industry analysis: evaluates outlook for particular industries
- Company analysis: evaluates company's strengths and weaknesses within industry

Economic Analysis

- Concept of Economic Analysis
- Significance for economic analysis

Factors affecting Macroeconomy

- Fiscal Policy
- Monetary Policy
- Industrial Production
- Stock Prices
- Technological Innovations
- Stage of business cycle

Economic Forecasting techniques

- Anticipatory Surveys
- Barometric or Indian approach
- Money and Stock Prices
- Diffusion Index

Industry Life Cycle Analysis

- Pioneering Stage (Introduction)
- Expansion Stage (Growth)
- Stagnation Stage (Maturity)
- Decay Stage (Decline)

Economic Factors in Industry Analysis

- The government's attitude towards industry
- Labor conditions
- Competitive conditions
- Performance of the industry
- Stage of the industry life cycle
- Investors' preference over the industry
- Technological innovations

SWOT Analysis of Industries

- STRENGTH
- WEAKNESS
- OPPORTUNITIES
- THREATS

Framework of Company Analysis

The two major components of company analysis are:

- Financial
- Non-financial

A good analyst gives proper weightage to both these aspects and tries to make an appropriate judgment.

Non Financial Analysis

Internal Factors

- History and business of the company
- Product range
- Future plans of expansion/diversification
- Market standing – competition and market share
- Corporate social responsibility
- Industrial relations scenario
- Corporate image etc.

Cont...

External Factors

- Statutory controls
- Government policy
- Industry life cycle stage
- Business cycle stage
- Environmentalism
- Consumerism, etc.

Financial Analysis

- Balance Sheet
- Income statement
- Cash flow statement
- Financial Ratio Analysis
- Regression analysis
- Are financial statements reliable?

CONCLUSION

THANK YOU