

# Stock Analysis Checklist

A step-by-step framework to evaluate any Indian stock before investing

Company Name: \_\_\_\_\_ Date: \_\_\_\_\_ CMP: \_\_\_\_\_

## 1 BUSINESS UNDERSTANDING

- What does the company do? (Describe in 1-2 lines)  
Can you explain this business to a 10-year-old?
- What is the revenue model? (Product / Service / Subscription / Licensing)  
How does the company actually make money?
- Who are the top 3 competitors?  
e.g., If analyzing HDFC Bank → ICICI Bank, SBI, Kotak
- What is the company's moat / competitive advantage?  
Brand, patents, network effects, cost advantage, switching costs?
- Is the industry growing or shrinking?  
Check industry reports, CAGR of the sector over last 5 years

## 2 FINANCIAL HEALTH (Last 5 Years)

- Revenue growing consistently? (Check 5Y CAGR)  
Look for: >10% CAGR. Red flag: declining or flat revenue
- Net Profit growing consistently?  
Profit should grow in line with or faster than revenue
- Operating Profit Margin stable or improving?  
Compare with industry average. Improving margins = pricing power
- Is the company profitable (positive EPS)?  
Check: EPS trend over 5 years. Avoid companies with erratic earnings
- Free Cash Flow positive?  
Operating Cash Flow minus CapEx. Positive = company generates real cash

## 3 KEY FINANCIAL RATIOS

- P/E Ratio: \_\_\_\_\_ (vs industry avg: \_\_\_\_\_)  
Lower than peers may = undervalued. But check WHY it's low
- ROE: \_\_\_\_\_% (Target: >15%)  
How well management uses your money. >20% = excellent
- Debt-to-Equity: \_\_\_\_\_ (Target: <1.0)  
<0.5 = conservative. >2.0 = risky unless banking/NBFC
- Current Ratio: \_\_\_\_\_ (Target: >1.5)  
Can the company pay short-term obligations? <1 = danger
- Dividend Yield: \_\_\_\_\_% (if applicable)  
Good for income. Compare with FD rates and sector peers

## 4 VALUATION CHECK

- Intrinsic Value estimate: ■\_\_\_\_\_ (CMP: ■\_\_\_\_\_)  
Use DCF or PE-based valuation. Is there a margin of safety?
- P/E vs 5-year historical average: Higher / Lower / In-line  
Buying at below historical average PE = potential value
- P/B Ratio: \_\_\_\_\_ (useful for banks, real estate, mfg)  
P/B < 1 may be undervalued. >5 may be overpriced
- PEG Ratio: \_\_\_\_\_ (Target: <1)  
PE divided by earnings growth rate. <1 = growth at reasonable price
- Compare valuation with 2-3 peers  
Is this the cheapest quality option in the sector?

## 5 MANAGEMENT & GOVERNANCE

- Promoter holding: \_\_\_\_\_% (stable / increasing / decreasing?)  
Increasing = confidence. Decreasing / pledging = red flag
- Any promoter shares pledged? Yes / No (\_\_\_\_\_%)  
High pledge = risk. Lenders can sell shares in a crash
- Management track record (past decisions, capital allocation)  
Check: Did they deliver on past promises? Read annual report letters
- Any red flags? (Related party transactions, auditor changes, lawsuits)  
Google '[Company name] SEBI order' or 'fraud' for due diligence
- Insider buying/selling in last 6 months?  
Insiders buying = bullish signal. Heavy selling = caution

## 6 INVESTMENT DECISION

- Does this company pass your quality filter? (Score: \_\_\_\_/10)  
Rate overall business quality based on sections 1-5
- Is the current price below your estimated fair value?  
Never buy without a margin of safety (ideally 25-30% discount)
- What is your target holding period? (\_\_\_\_\_ years)  
Best results come from 3-5+ year holding periods
- What is your exit trigger? (Price target / Thesis broken / Time)  
Write this down NOW so emotions don't decide later
- Position size: \_\_\_\_\_% of portfolio  
Never put >10% in a single stock. Diversify across 10-15 stocks

### QUICK REFERENCE: Ideal Numbers for Indian Stocks

- |                      |                            |                       |                       |
|----------------------|----------------------------|-----------------------|-----------------------|
| ✓ ROE > 15%          | ✓ P/E < Industry Avg       | ✓ Debt/Equity < 1.0   | ✓ Promoter > 50%      |
| ✓ Revenue CAGR > 10% | ✓ Free Cash Flow: Positive | ✓ Current Ratio > 1.5 | ✓ No Pledge on Shares |

### Want to learn how to use this checklist?

Read the full guide: [MithunSrivastava.com/learn-stock-market/](https://MithunSrivastava.com/learn-stock-market/)

Free calculators: [MithunSrivastava.com/calculators/](https://MithunSrivastava.com/calculators/) | Glossary: [MithunSrivastava.com/glossary/](https://MithunSrivastava.com/glossary/)

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