

## Fundamental ratios that actually matter

Eight numbers that turn a balance sheet into a verdict you can question. Always compare a stock against its own sector, never an absolute rule.

### Return on Equity (ROE)

Profit generated from shareholders' money. The headline quality signal.

**Healthy: a steady mid-teens % or higher.**

### Net Profit Margin

How much of each rupee of sales survives as profit after all costs.

**Healthy: stable or rising vs the sector.**

### Price-to-Earnings (P/E)

Share price ÷ earnings per share. High = growth expected; low = value or trouble.

**Healthy: judged vs the company's history and peers.**

### Price-to-Book (P/B)

Price vs net assets per share. The right lens for banks & asset-heavy firms.

**Healthy: sector-dependent; ~1–3 for many.**

### Debt-to-Equity (D/E)

Borrowings vs the company's own funds. Lower generally means lower risk.

**Healthy: below ~1 for most non-financials.**

### Interest Coverage

Operating profit ÷ interest cost. How comfortably profits cover the loans.

**Healthy: higher is safer; under ~2 is a flag.**

### Current Ratio

Short-term assets ÷ short-term liabilities. Can it pay its near-term bills?

**Healthy: above 1.**

### Revenue & Earnings Growth

Year-on-year trend. Consistency beats one spectacular year.

**Healthy: a steady multi-year uptrend.**

### Banks & NBFCs are different

Skip plain margins — use Gross/Net NPA, Net Interest Margin (NIM) and Capital Adequacy (CAR) instead.

## Technical checks + a 12-point checklist

### Read the chart

#### Trend

Is price above its 50- and 200-day moving averages? Above = strength.

#### Support & Resistance

The price levels where the stock has turned before.

#### RSI (14)

Momentum gauge. >70 overbought, <30 oversold — context matters.

#### MACD

Is momentum crossing up or down?

#### Volume

Is the move backed by real volume, or is it thin and unreliable?

### The 12-point pre-investment checklist

- 1. Do I understand what the company actually does?
- 2. Is revenue growing across 3+ years?
- 3. Is profit growing too — not just revenue?
- 4. Is debt-to-equity reasonable for its sector?
- 5. Does it generate real cash, not just paper profit?
- 6. Is ROE consistently healthy?
- 7. How do P/E and P/B compare to peers?
- 8. Promoter holding stable? Any pledged shares?
- 9. Red flags in related-party deals or auditor notes?
- 10. What's the chart trend — above key moving averages?
- 11. Is the recent move backed by volume?
- 12. What could go wrong, and can I live with it?

### Skip the manual work

StockGenie runs every check above for any NSE stock — fundamentals, chart and news — and explains it in plain English or Hindi. Free on Android.

[play.google.com/store/apps/details?id=com.StockGenie](https://play.google.com/store/apps/details?id=com.StockGenie)