



# Equity Research (ER), Business Valuations, and Entity's Business Environment Analysis thru GEIC Analysis

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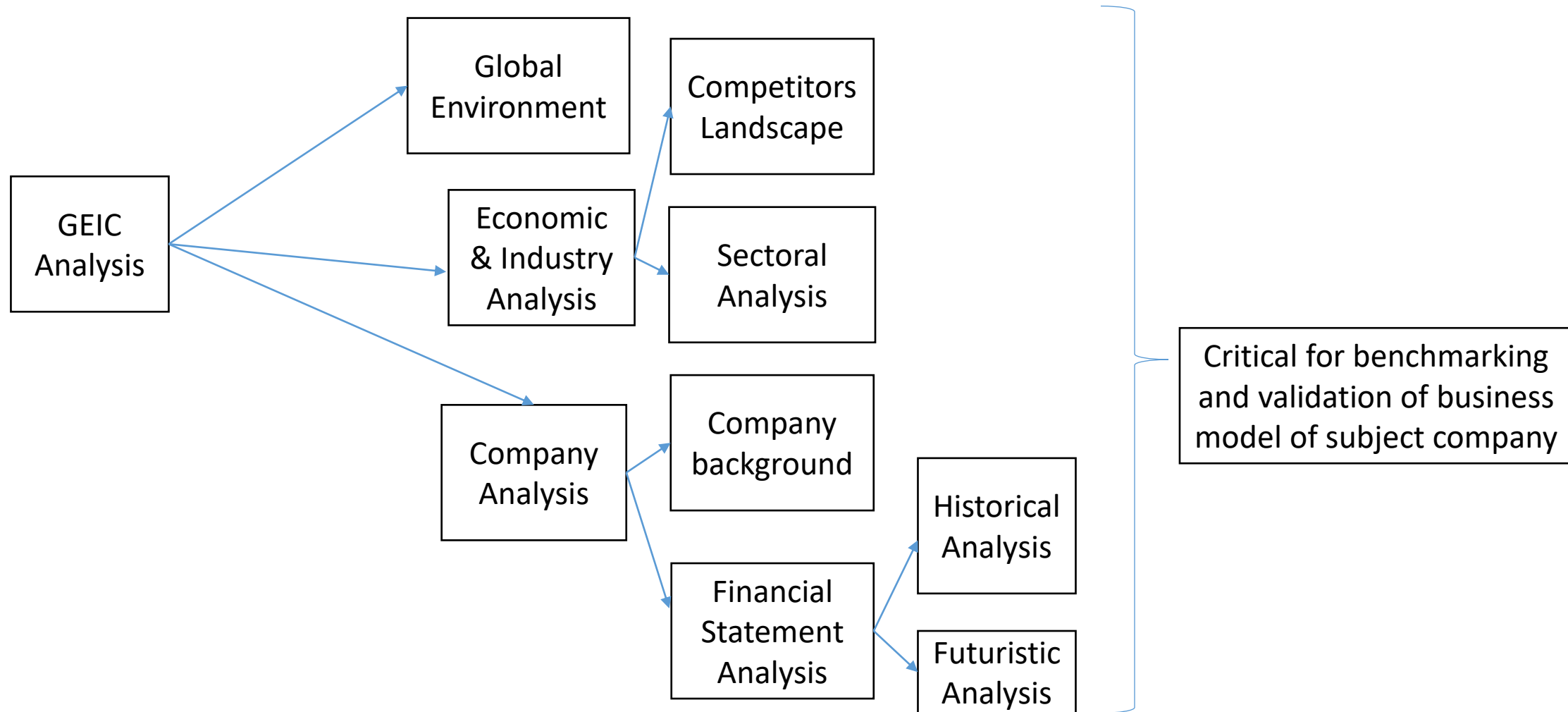
# Tools of FA & TA

“Fundamental Analysis of the Entity’s  
Business Environment for forecasting  
company performance and thereby the  
valuations”

How to do it?

THE G-E-I-C MODEL

# GEIC Analysis thru Collection of information and details



# Factors to be studied for Global Analysis

1. Gaining broad understanding of economies of important geographies.
2. Types of Exports and Imports from the Country
3. Country wise Trade Deficit
4. Country wise Balance of Payment
5. Dependence / Interdependence with different geographies
6. Impact of different economies on other economies
7. Condition of importing / exporting country's economy
8. **And many more**

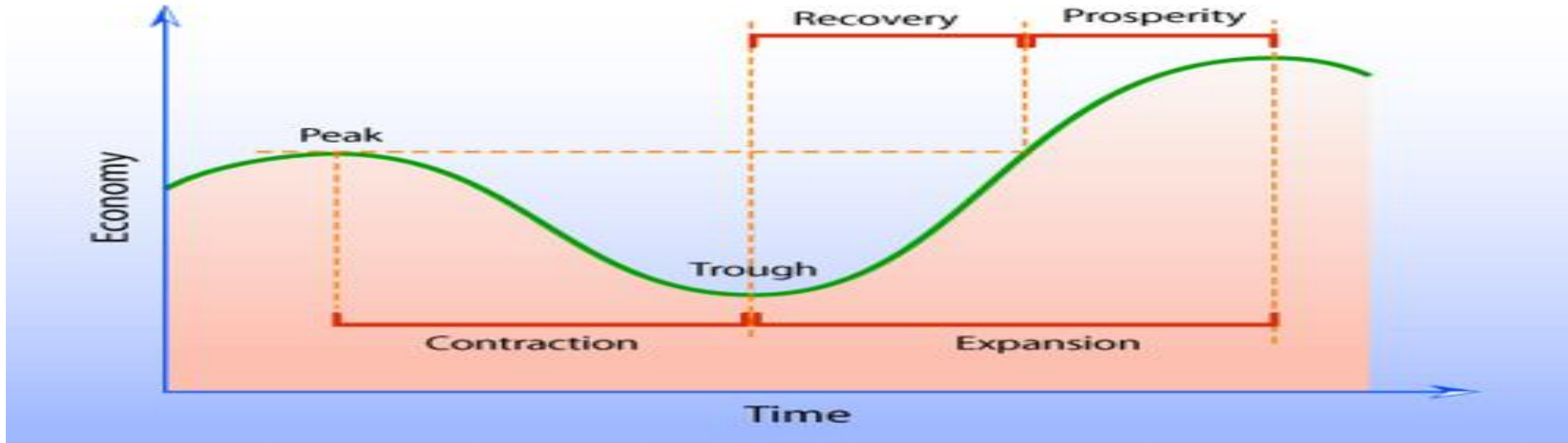
# Three Important Cycles to remember for Business Valuations

1. Trade / Business / Economic Cycle – **For Economy Analysis**
2. Industry Life Cycle – **For Industry Analysis**
3. Product Life Cycle – **For Company Analysis**

These three cycles will have direct and varying impact on the valuations of a Business.

Hence, we need to observe impact of each of the stages of these cycles on valuations of a Business.

# Trade / Business / Economic Cycle

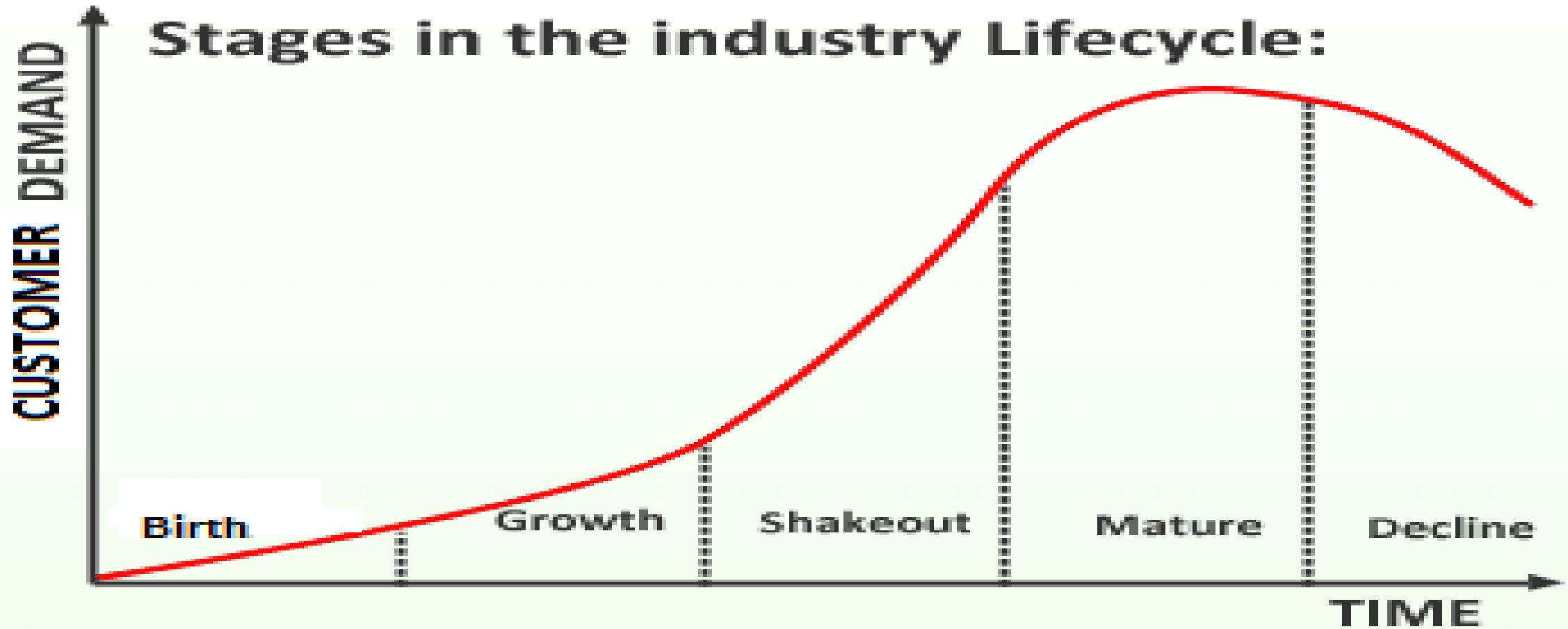


Why do Recessions occur?

What will happen to valuations during recessionary period & why?

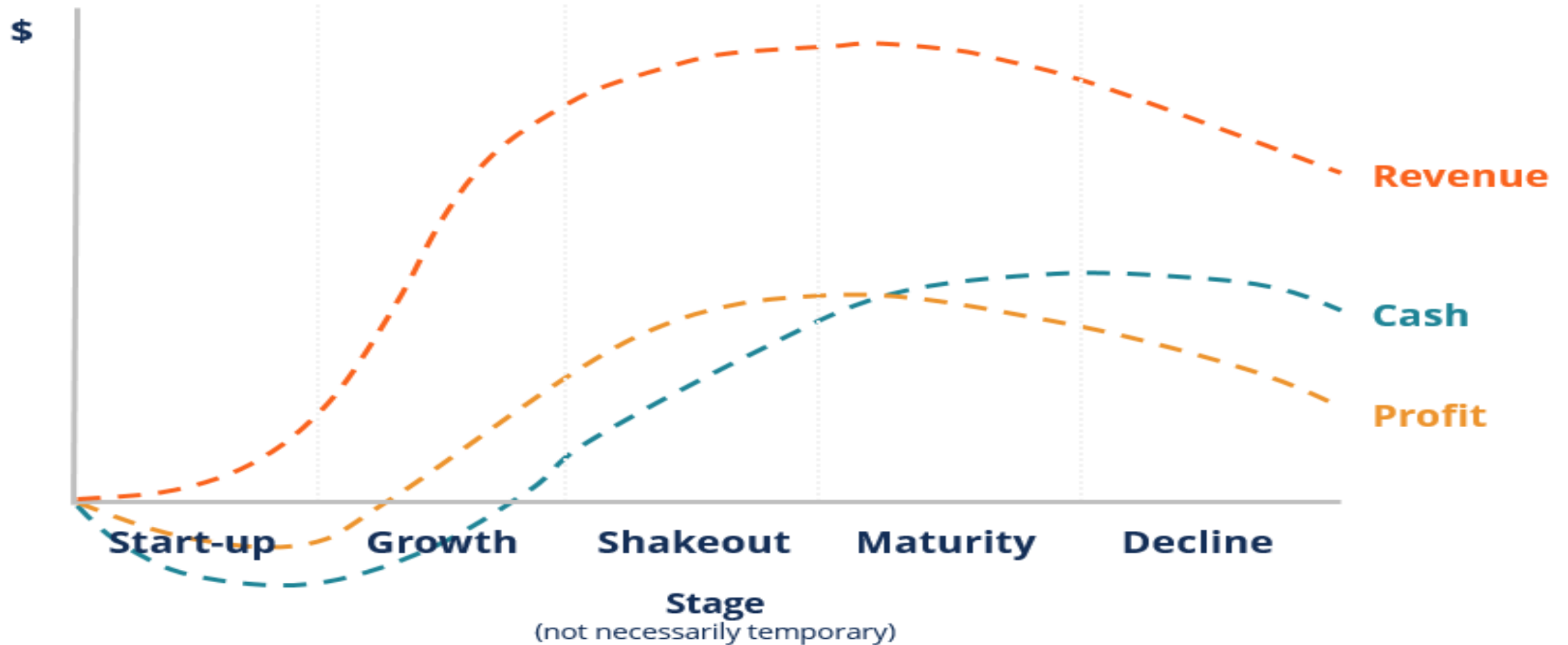
What can be done to revive the economy?

We not only need to worry about Economic Cycle but also Industry Lifecycle

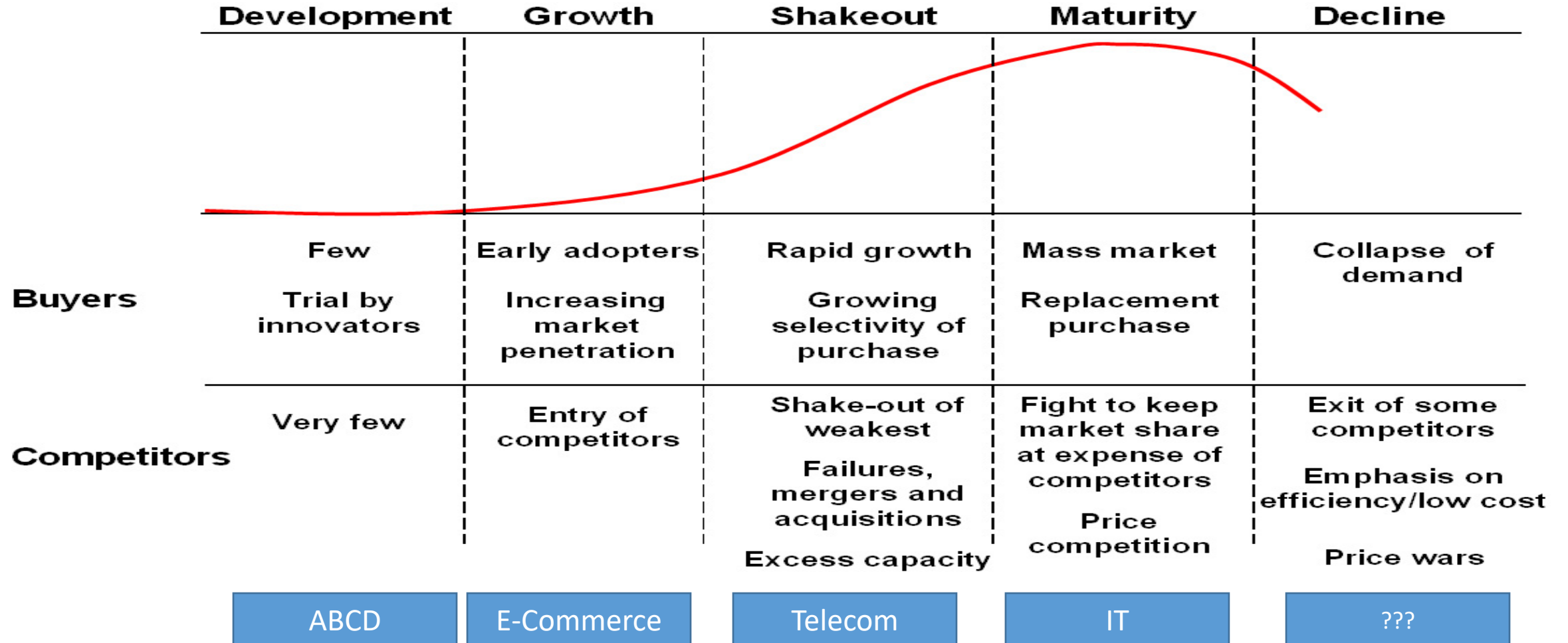




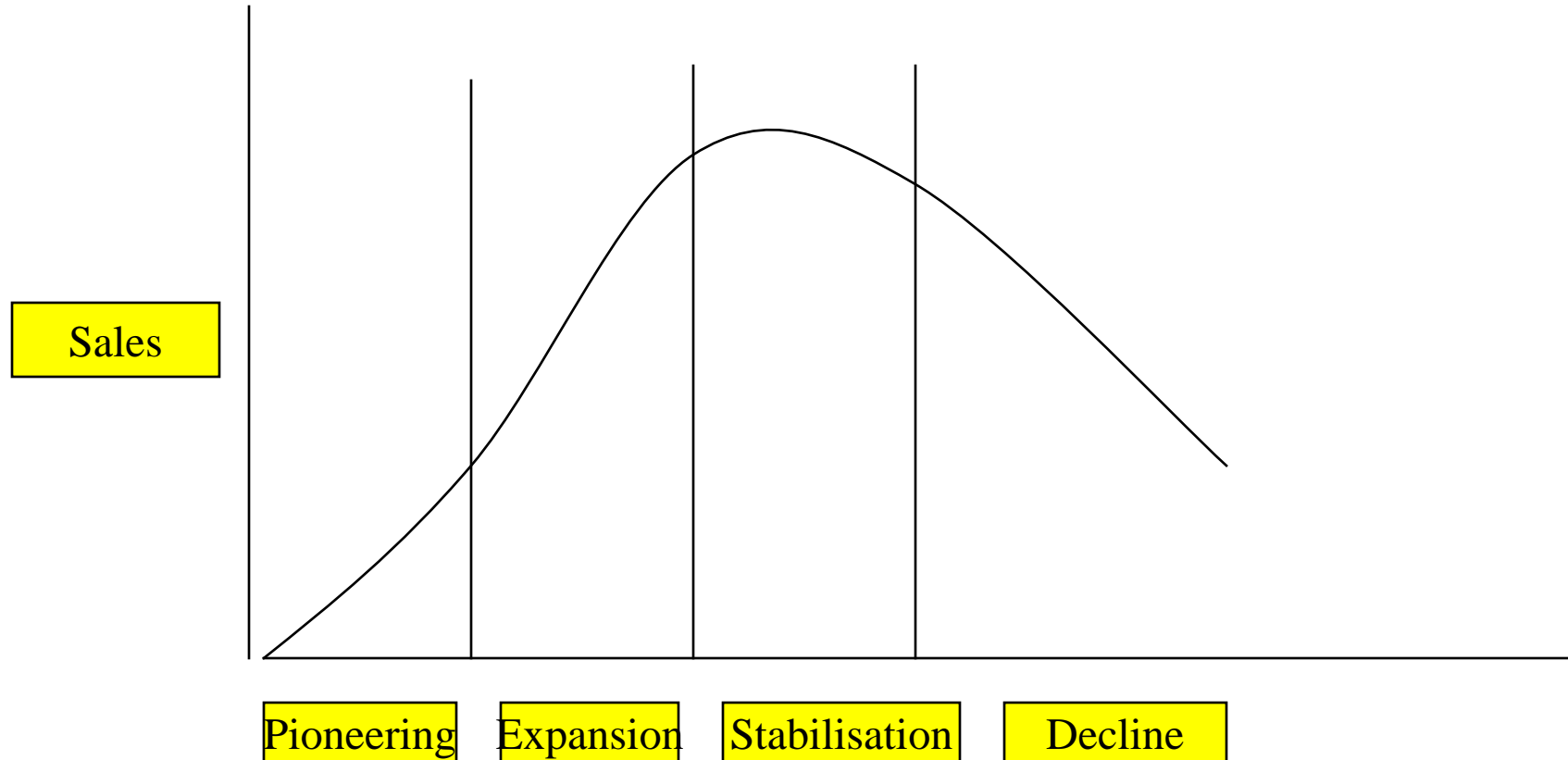
# Revenue, Profit and Cash during Industry Life Cycle (ILC)



# Impact analysis of Industry Life Cycle on valuations

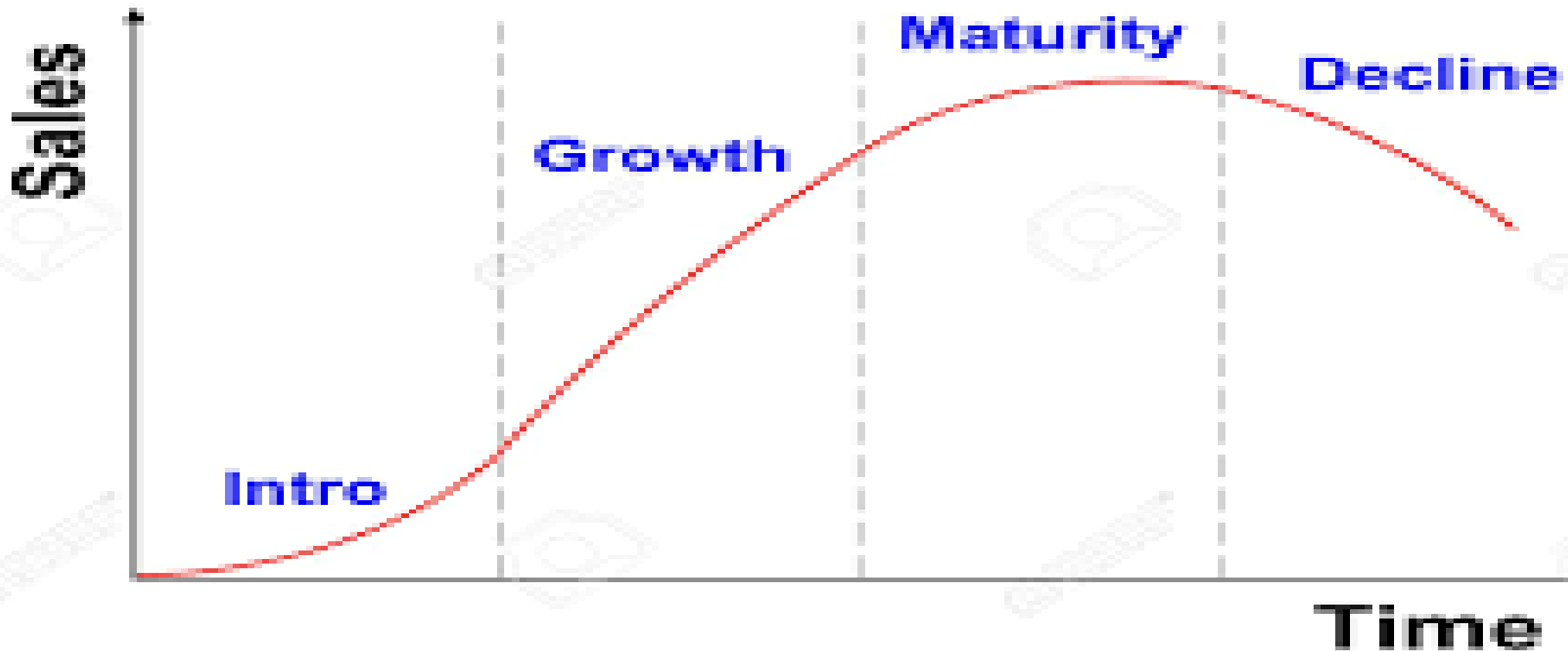


# Industry Life cycle Analysis



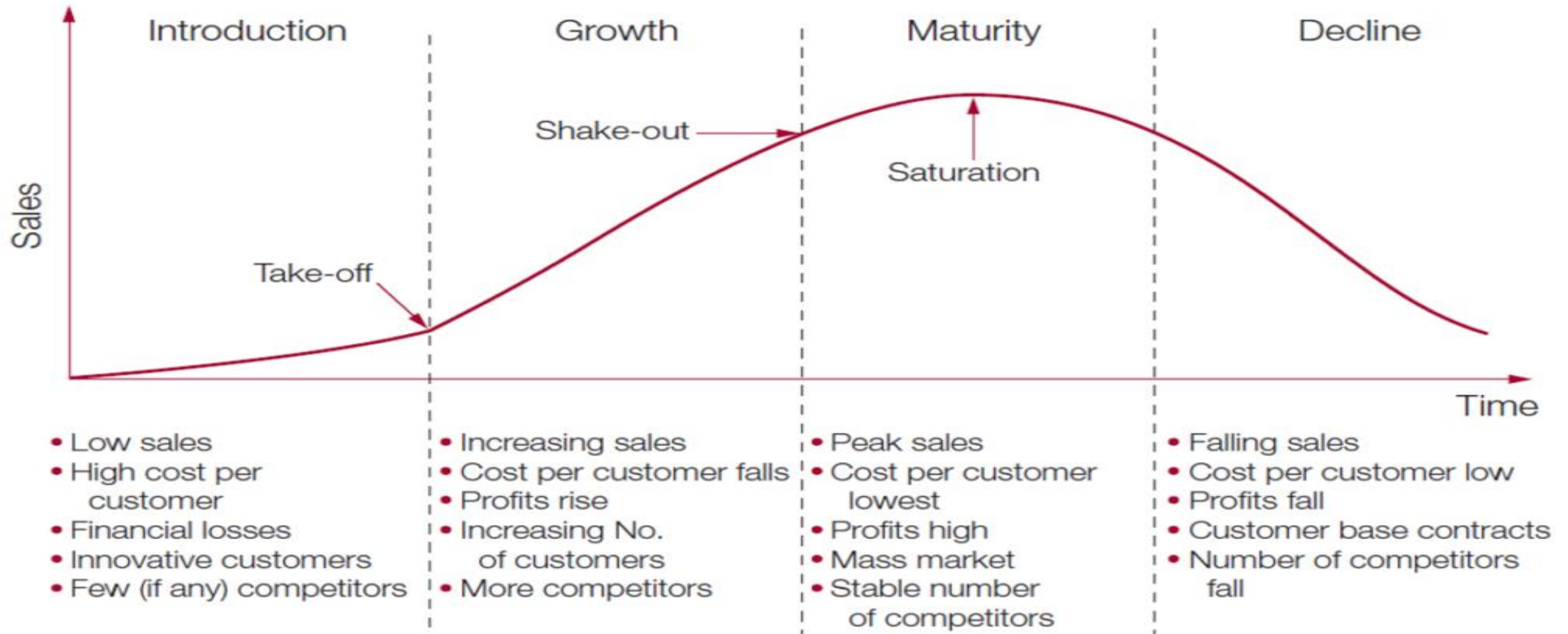
# Also the Product Life Cycle

## Product Life Cycle




# Impact of Product Life Cycle on Valuations

The 4 Life Cycle Stages and their Marketing Implications



# Tools for Macro Economic Analysis / Macro-Level Environment... scanning

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- PEST Analysis
  - PESTLE Analysis
  - **SWOT** Analysis

# PEST Analysis – A tool for Economic Analysis

<b>POLITICAL</b>	<b>ECONOMIC</b>
<ul style="list-style-type: none"><li>*Tax Policy</li><li>*Employment Laws</li><li>*Environmental regulations</li><li>*Trade restrictions and tariffs</li><li>*Political stability</li></ul>	<ul style="list-style-type: none"><li>*Economic growth</li><li>*Interest rates</li><li>*Exchange rates</li><li>*Inflation rate</li><li>*Frequency of Trade Cycles</li></ul>
<b>SOCIAL</b>	<b>TECHNOLOGICAL</b>
<ul style="list-style-type: none"><li>*Health consciousness</li><li>*Population growth rate</li><li>*Age distribution</li><li>*Career attitudes</li><li>*Emphasis on safety</li><li>*Cultural Dimensions of the Society</li></ul>	<ul style="list-style-type: none"><li>*R&amp;D Activity</li><li>*Automation</li><li>*Technological incentives</li><li>*Rate of technological change</li></ul>

In any analysis, our aim is to identify the relevant factors that will have a bearing on company valuation and thereby on our decision.



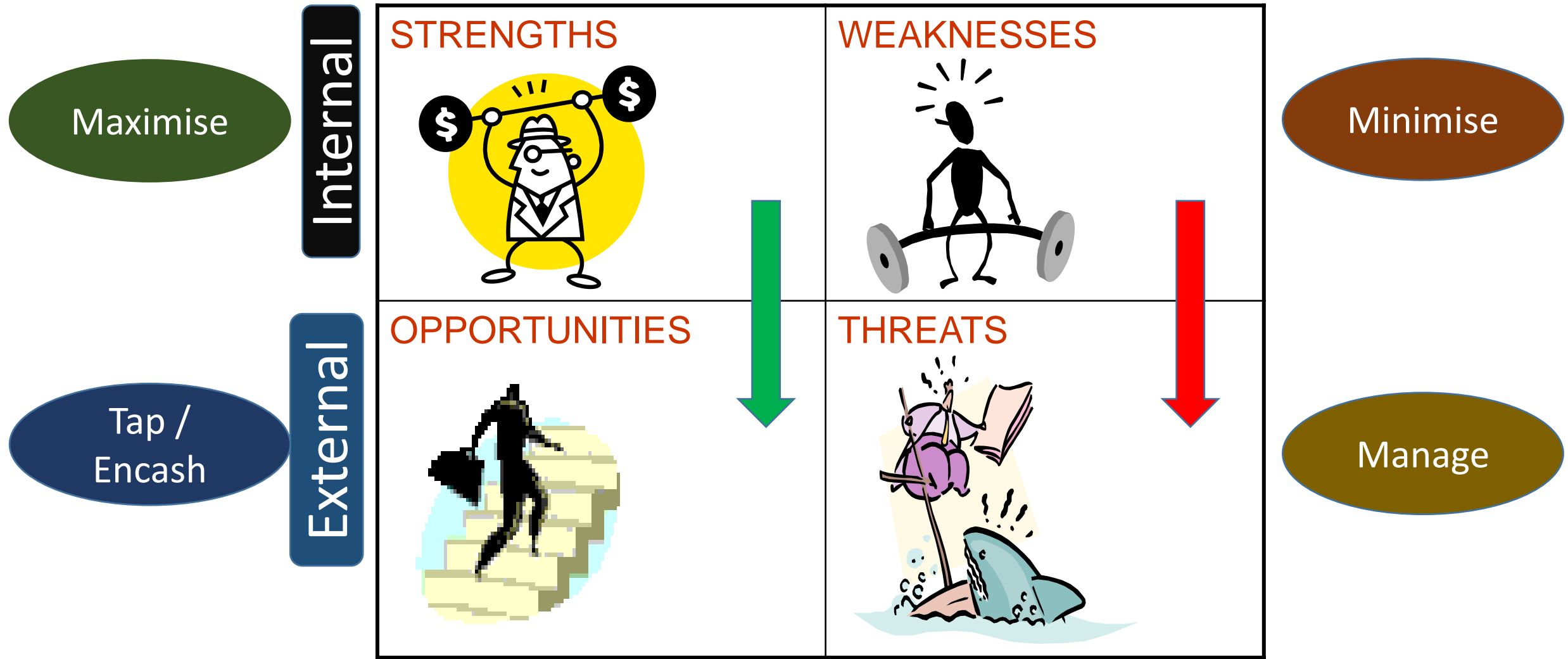
# When you add Environment and Legal dimensions to PEST, it becomes PESTEL or PESTLE analysis

PESTLE analysis – Especially, useful when starting a new business or entering a foreign market or any new Market





# The SWOT Analysis – Good for Economy / Industry



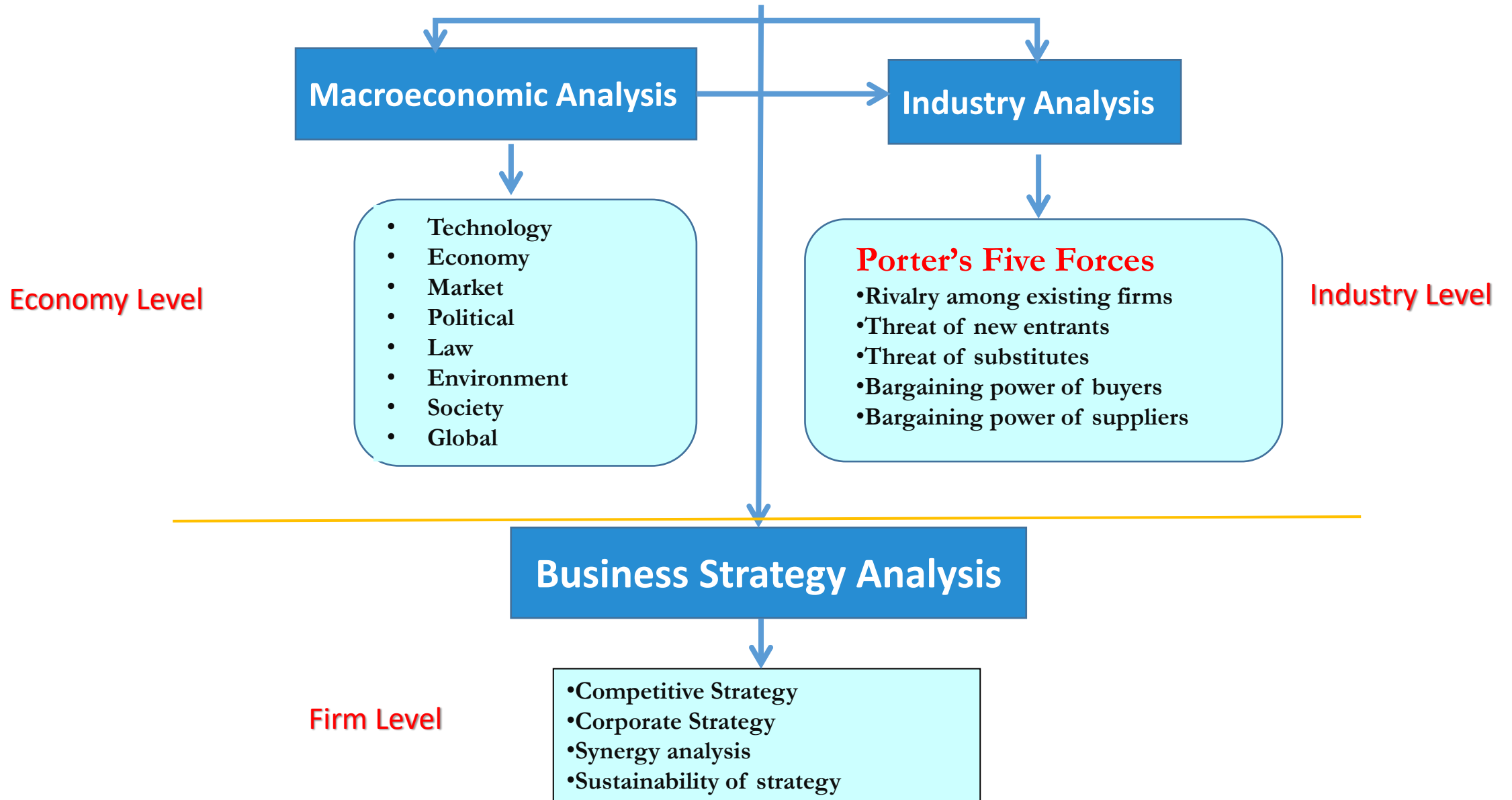
# THE G-E-I-C MODEL



- INDUSTRY



# Analysis of Economic & Business Environment

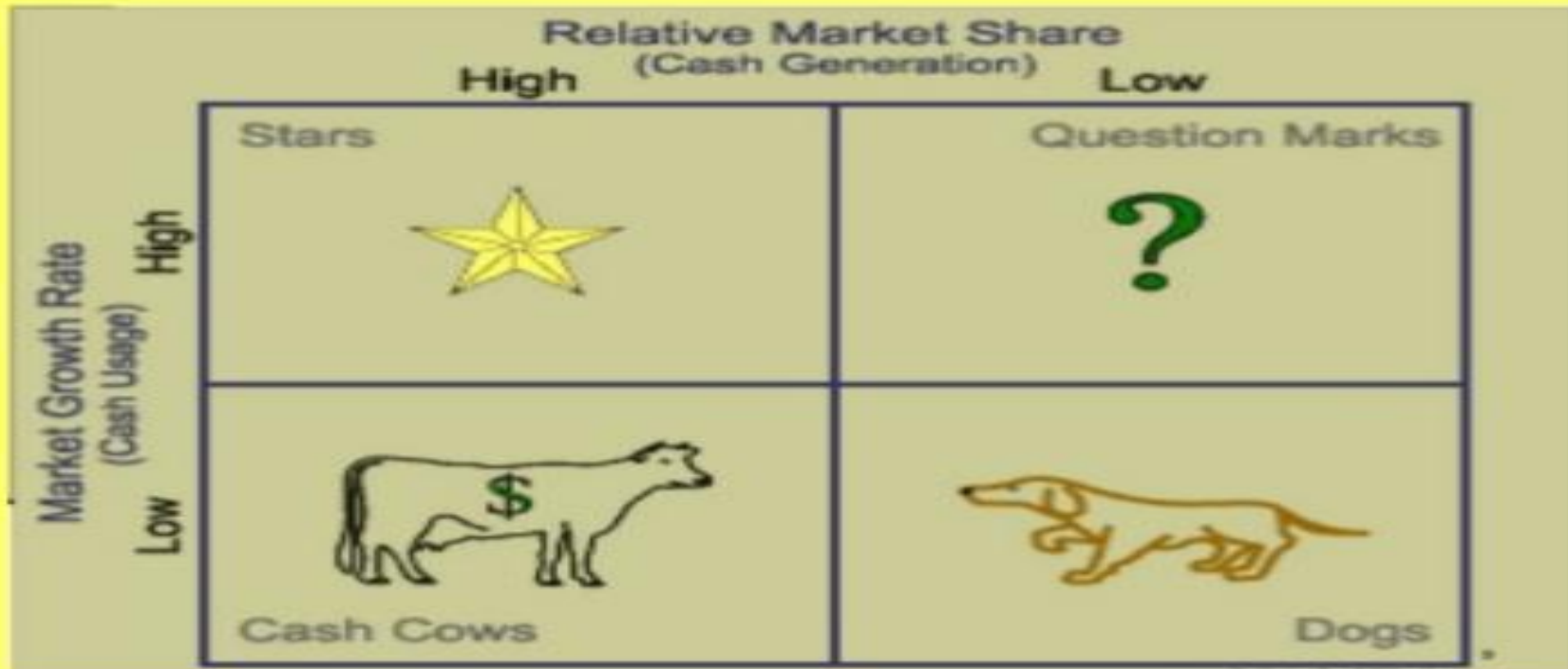




# Boston Consulting Group Growth Share Matrix

It is a Tool for Business Portfolio Analysis. – How to use it?

## BCG Matrix



# GE McKinsey 9-Box Matrix for Industry

# Understanding GE McKinsey 9-Box Matrix

## GE McKinsey Matrix



# What is ADL Matrix?

ADL Matrix		Industry lifecycle stage			
		Embryonic	Growth	Mature	Ageing
Competition position	Dominant	All out push for share. Hold position.	Hold position. Hold share.	Hold position. Grow with industry.	Hold position.
	Strong	Attempt to improve position. All out push for share.	Attempt to improve position. Push for share.	Hold position. Grow with industry.	Hold position or harvest.
	Favourable	Selectively attempt to improve position.	Attempt to improve position. Selective push for share.	Custodial maintenance. Find niche and protect it.	Phased out withdrawal or harvest.
	Tenable	Selectively push for position.	Find niche and protect it.	Phased out withdrawal or find niche and hang on.	Phased out withdrawal or abandon.
	Weak	Up or out.	Turnaround or abandon.	Turnaround orphaned out withdrawal.	Abandon.



# THE G-E-I-C MODEL



- The Company

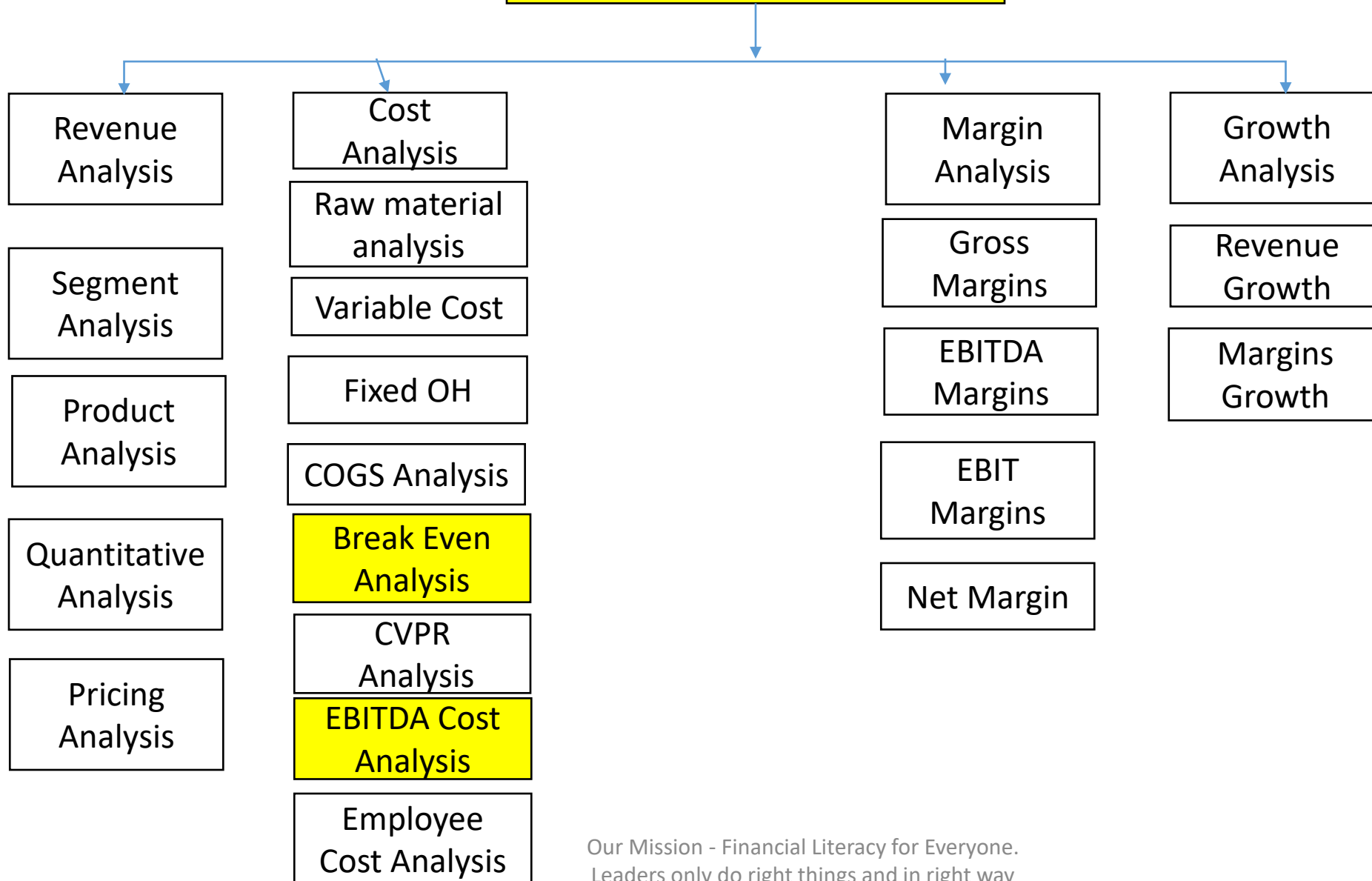
Not NOW!!!



# Tools for Company Analysis

- Study of Company Background and Non-Financial information
- Financial Statement Analysis
- Product Life Cycle Graph
- The McKinsey 7S Model, a framework for organizational effectiveness

Understand Profit and then carry out Profit & Loss Analysis



# Balance Sheet Analysis

Return Ratios

Liquidity Analysis

Leverage Analysis

Solvency Analysis

Turnover Ratios

Return on Equity (ROE)

Current Ratio

Debt to Equity

Solvency Ratio

Fixed Assets Turnover

Return on Invested Capital (ROCE)

Quick Ratio

Debt to total Capital

Total Assets Turnover

Return on Assets (ROI)

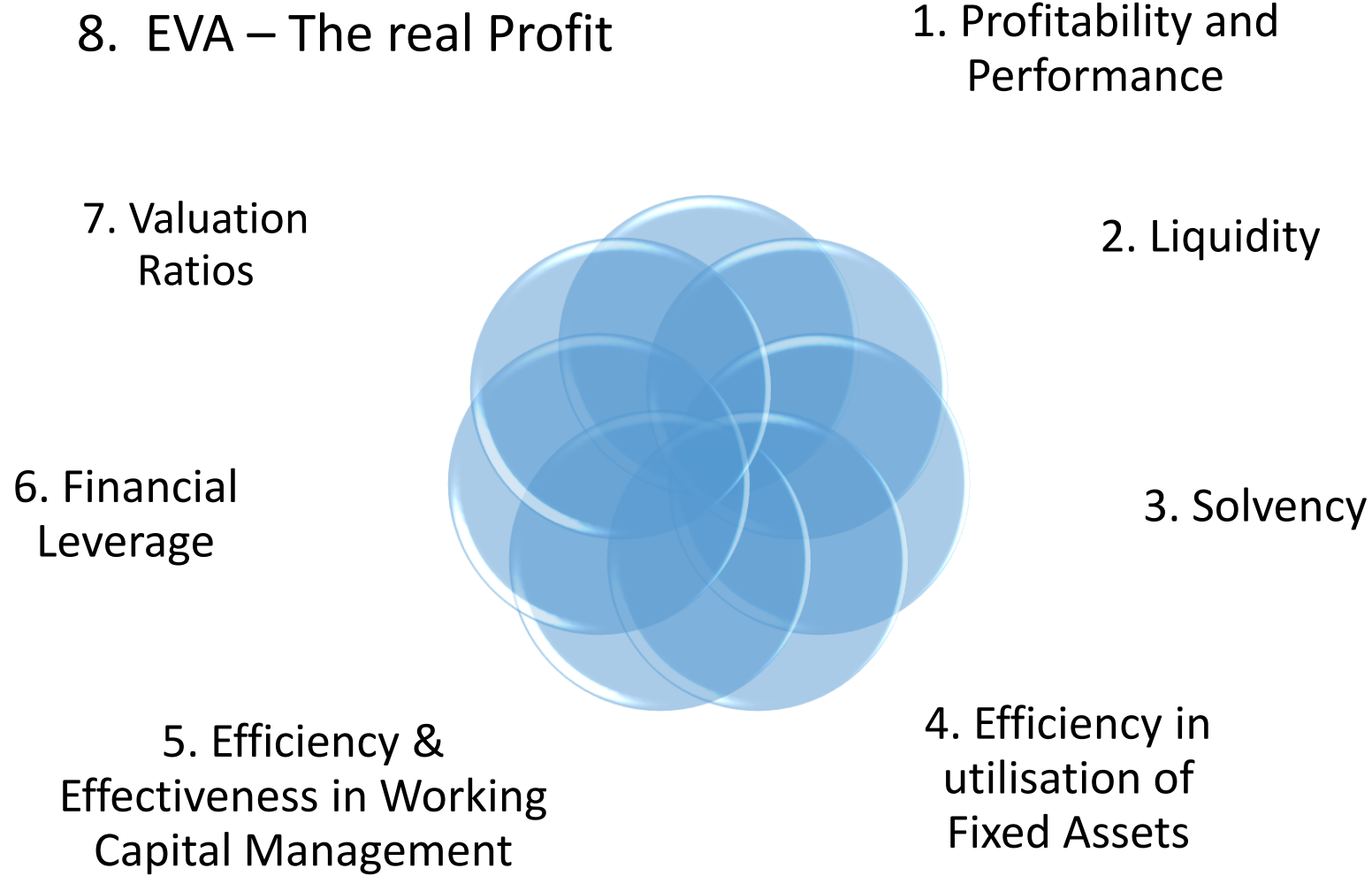
EBITDA to Debt

Working Capital Turnover

Coverage Ratios

How to determine  
“Borrowing Capacity” of a  
Business?

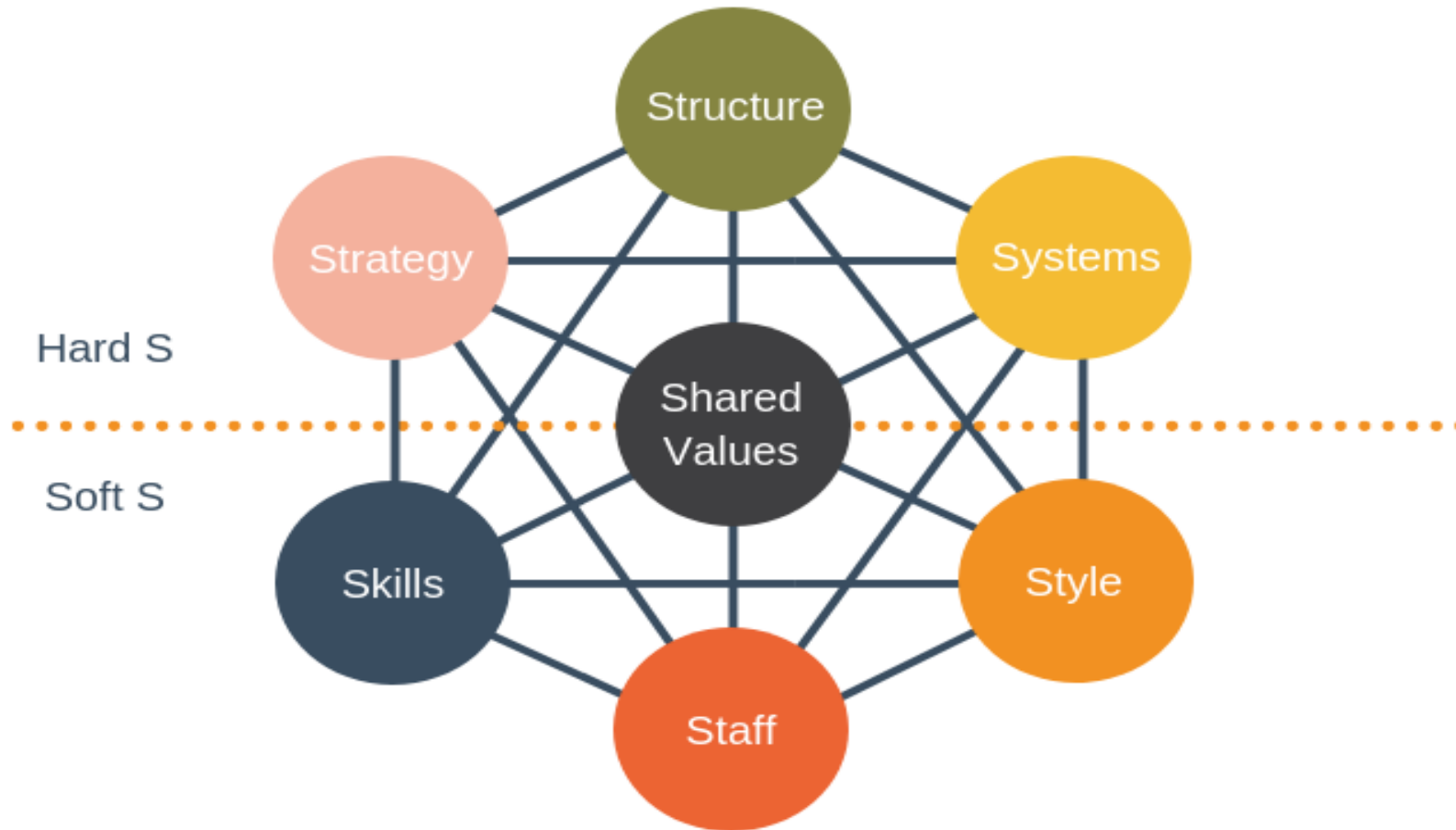
# 8-Key aspects of Financial Statement Analysis



**Du Pont &  
Return on  
Equity (ROE)  
Analysis**

# The McKinsey 7S Model, a framework for organizational effectiveness

## McKinsey 7S Framework



### • 7-Elements:

1. Strategy
2. Structure
3. Systems
4. Style
5. Staff
6. Skills
7. Shared Values



# “Thank You”

**Opportunities always come with  
Responsibilities.**

**Let Us, Make The Difference**

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**You are welcome to connect with me on :**

