



SNS B-SPINE

23BBE731-SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT

Unit 2: Fundamental Analysis

Puzzle:

You receive the following data for **XYZ Ltd. (Google, 2023)**:

- EPS: ₹24
- Current Market Price: ₹360
- Book Value per Share: ₹150
- Industry Average P/E: 18
- Debt-to-Equity Ratio: 0.6
- Return on Equity: 20%

Questions:

1. Calculate the company's P/E ratio and compare it with the industry.
2. Determine the Price-to-Book ratio.
3. Conclude whether the stock appears undervalued or overvalued.

Answer:

1. $P/E = 360 \div 24 = \mathbf{15}$, lower than industry (18).
2. $P/B = 360 \div 150 = \mathbf{2.4}$.
3. Lower P/E suggests **undervalued** relative to peers if growth prospects remain strong.