The Value Research Stock Rating

Value Research

Empower yourself with the most comprehensive stock rating that captures the true essence of long-term fundamental stock investing.

Too many stocks to choose from? Too many financial parameters to analyse?

Value Research Stock Rating is here to solve the biggest challenges in stock investing.

- Use our ratings to get a stock universe that fits your investment philosophy.
- Get a quick bird's eye view of a stock's fundamentals with ratings that capture over 100 financial data points.

Advantages of Value Research Stock Ratings

Saves time. No need to spend hours analysing numerous financial parameters; our ratings provide a single, comprehensive score.

Made by experts. Curated and developed by our in-house equity research team.

No human bias. The ratings are calculated and refreshed daily before market hours digitally.

5-star ratings based on thirty years of stock research experience

Here are the four components of our Stock Rating:

Quality: Find the best-rated companies with high efficiency and a strong balance sheet. Click here to know more.

Valuation: Find the best-valued stocks currently available at attractive prices compared to their historical ranges. Click here to know more.

Growth: Find the fastest-growing stocks presently witnessing rapid growth in their business. Click here to know more.

Momentum: Find stocks that have delivered strong returns recently and have displayed low volatility. Click here to know more.

When you combine all these four, you get

The 5-star composite rating: Find fundamentally strong, growing companies at a reasonable price. Click here to know more.

More questions? Read frequently asked questions.

THE BT-VALUE RESEARCH SCRIPLINE

No.	Company	Sales (Rs crore)	Net Profit (Rs crore)	Equity (Rs crore)	EPS (Rs)	P/E Ratio	Price (Rs)	Quarterly Ratings 1993	Quarterly Ratings 1994	Quarterly Ratings 1995	Q-1 1996	
1	20TH CENTURY FINANCE▲	185.25	31.74	17.47	18.17	2.44	44.00	C,C,C	C,C,B,C	C,D,D,C	C	Stays at C
2	ABB▲	894.57	62.53	31.06	20.13	27.88	580.00	B,D,D,E	E,E,E,D	D,D,D,C	C	Stays at C
3	ABS INDUSTRIES•	115.05	16.57	11.00	15.06	4.45	67.00	C,C,C,C	C,A,A,B	C,C,C,B	C	Drops from B to C
4	ACC	2,065.84	156.11	80.16	194.75	18.44	3,670.00	D,E,E,E	E,E,D,E	C,C,C,B	B	Stays at B
5	AFT INDUSTRIES	63.19	5.08	6.00	8.47	15.64	130.00	D,D,D,D	C,C,C,C	E,E,E,E	E	Stays at E
6	APR	120.71	16.08	24.10	6.67	10.53	70.00	C,C,D,D	E,D,D,D	C,D,C,C	D	Drops from C to D
7	ATV PROJECTS	217.43	26.83	52.50	5.11	3.44	18.00	D,C,C,D	E,E,D,D	C,C,C,C	C	Stays at C
8	ABAN LOYD CHILES OFFSHORE	119.95	14.48	6.28	23.06	3.90	88.00	B,B,C,C	C,A,A,A	B,B,A,B	B	Stays at B
9	ABBOTT LABORATORIES	57.45	2.88	2.25	12.80	13.48	175.00	B,B,B,C	B,B,C,C	C,C,D,C	D	Drops from C to D
10	ADVANI-OERLIKON	197.37	10.87	10.52	10.33	15.91	168.00	B,B,C,C	D,D,D,E	C,C,C,D	C	Rises from D to C
11	AEGIS CHEMICALS	79.64	11.55	12.01	9.62	3.39	33.00	E,E,D,D	D,D,E,E	B,B,B,C	B	Rises from C to B
12	AHMEDABAD ELECTRICITY	544.95	18.58	63.23	2.94	21.68	64.00	E,E,E,E	E,E,E,E	D,D,D,E	E	Stays at E
13	AHMEDNAGAR FORGINGS	60.55	4.56	4.00	11.40	6.36	73.00	E,D,D,D	C,D,D,D	E,D,D,D	D	Stays at D
14	ALBRIGHT, MORARJI & PANDIT	82.40	4.00	3.38	11.83	10.78	124.00	B,A,B,B	D,D,C,D	B,B,B,C	C	Stays at C
15	ALEMBIC CHEMICAL WORKS▼	367.16	16.49	4.12	400.24	2.97	1,175.00	D,E,E,E	E,B,B,C	C,C,C,B	B	Stays at B
16	ALFA-LAVAL	233.47	20.2	18.16	11.12	16.13	190.00	D,E,E,E	D,D,D,C	C,C,D,D	D	Stays at D
17	ALPINE INDUSTRIES	278.64	9.55	10.45	9.14	3.90	35.00	D,D,D,D	D,D,D,D	B,C,A,B	A	Rises from B to A
18	ALTOS[1]	146.74	7.07	8.59	8.23	8.38	68.00	C,C,C	C,C,E,E	E,D,D,D	D	Stays at D
19	AMBALAL SARABHAI	243.18	8.03	62.95	1.28	12.60	16.00	E,E,E,E	E,E,D,D	E,E,E,E	E	Stays at E
20	AMFORGE INDUSTRIES	102.52	5.23	7.23	7.23	10.11	80.00	D,E,D,E	E,E,E,E	C,C,A,B	B	Stays at B
21	AMTREX APPLIANCES	53.41	3.52	6.07	5.80	6.70	39.00	C,C,D,D	C,B,B,B	A,B,B,B	B	Stays at B
22	ANAGRAM FINANCE•	135.13	28.62	12.38	23.12	3.27	73.00	C,C,C	D,B,B,B	C,C,C,B	C	Drops from B to C
23	ANDHRA PRADESH PAPER	201.41	16.86	5.63	299.47	5.95	1,750.00	E,D,C,D	C,C,C,C	B,B,C,C	C	Stays at C
24	ANDHRA VALLEY POWER	629.21	67.00	65.17	10.28	9.90	102.00	D,E,E,E	E,E,E,E	E,D,E,E	E	Stays at E
25	ANTIFRICTION BEARINGS	80.08	3.40	5.78	5.88	10.63	63.00	E,E,E,D	E,E,E,E	E,D,D,D	D	Stays at D
26	APOLLO HOSPITALS	48.59	6.26	14.72	4.25	7.82	32.00	B,B,A,A	C,C,D,D	D,D,D,D	D	Stays at D
27	APOLLO TYRES	749.03	25.91	27.87	9.30	17.93	170.00	D,D,D,D	E,D,D,D	C,C,B,C	C	Stays at C
28	APPLE INDUSTRIES•	282.75	46.56	45.21	10.30	3.08	32.00	C,B,A,B	C,E,D,D	D,B,A,B	B	Stays at B
29	ARVIND MILLS	591.89	90.64	99.86	9.08	11.54	104.00	D,D,D,D	E,E,E,E	D,D,D,D	D	Stays at D
30	ARVIND POLYCOT	65.24	3.13	24.10	1.30	11.92	15.00	B,B,A	E,E,E,E	E,E,E,E	E	Stays at E
31	ASAHI INDIA SAFETY GLASS	58.74	4.18	1.85	22.59	26.56	580.00	C,C,C,C	C,C,C,C	C,B,C,C	C	Stays at C
32	ASHOK LEYLAND	1,542.24	70.59	118.93	5.94	20.89	124.00	E,E,E,E	E,E,E,E	E,E,C,C	D	Drops from C to D
33	ASHOK LEYLAND FINANCE	177.74	30.21	20.47	14.76	5.66	84.00	C,C,D	D,E,E,E	D,C,B,C	C	Stays at C
34	ASIAN CABLES	116.82	4.87	16.40	2.97	4.67	14.00	C,C,C,C	E,E,E,E	D,D,D,C	D	Drops from C to D
35	ASIAN ELECTRONICS	79.28	13.97	3.09	45.21	10.95	490.00	B,B,B,B	D,D,D,D	D,D,D,D	D	Stays at D
36	ASIAN HOTELS	89.32	26.98	16.29	16.56	17.32	288.00	C,C,C,C	A,A,A,A	A,A,A,B	A	Rises from B to A
37	ASIAN PAINTS	707.82	43.89	19.91	22.04	15.31	343.00	E,E,E,E	D,E,D,D	C,C,C,C	C	Stays at C
38	ASSAM COMPANY[2]	88.37	10.66	18.86	5.65	13.83	85.00	D,D,E,E	E,E,E,E	D,E,E,E	E	Stays at E
39	ASSOCIATED STONE	23.73	2.28	5.45	4.18	11.96	50.00	E,E,D,E	D,C,C,D	E,E,E,E	E	Stays at E
40	ASTRA-IDL	51.74	5.95	2.50	23.80	6.01	143.00	D,C,D,D	C,C,C,C	C,B,C,B	C	Drops from B to C
41	ATASH INDUSTRIES	27.45	2.70	31.50	0.86	9.19	8.00	C,B,B	C,C,B,E	E,E,E,E	E	Stays at E
42	ATLAS COPCO	85.54	8.54	7.25	11.78	17.08	195.00	C,C,C,C	B,C,C,C	C,C,C,B	B	Stays at B
43	ATLAS CYCLE INDUSTRIES	249.07	5.23	2.44	21.43	6.65	143.00	E,E,E,E	D,D,CB	D,D,E,D	E	Drops from D to E
44	ATUL PRODUCTS	249.99	15.47	25.93	5.97	9.82	60.00	E,E,D,D	D,D,D,D	E,E,E,E	E	Stays at E
45	AUTOLEC INDUSTRIES	45.92	3.50	5.01	6.99	13.55	94.00	D,D,C,C	C,C,C,C	C,C,D,D	D	Stays at D
46	AUTOLITE	30.67	7.04	4.78	14.73	12.46	188.00	B,A,A,B	D,D,C,C	E,E,E,E	E	Stays at E
47	AUTOMOBILE CORP. OF GOA	122.90	4.90	4.94	9.92	10.71	108.00	D,D,E,E	E,E,D,E	B,C,D,C	C	Stays at C
48	AUTOMOTIVE AXLES△	69.76	−1.44	8.25	−1.75	−42.29	74.00	E,E,E,E	E,E,E,E	E,E,E,E	E	Stays at E
49	BASF	210.49	13.02	11.5	11.32	28.88	330.00	D,D,D,E	D,E,D,D	D,D,C,D	D	Stays at D
50	BMD INDUSTRIES	7.78	0.95	1.51	6.29	29.01	185.00	C,C,C,C	D,C,C,C	E,E,E,E	E	Stays at E
51	BOC†	197.20	6.50	27.27	2.38	41.76	100.00	C,D,E,E	E,E,E,E	E,E,E,E	E	Stays at E

▲Year ended December 1995 •Year ended June 1995 ▼Annualised from 9 months ended March 1995 △Year ended September 1994 †Year ended September 1995
[1]Annualised from 15 months ended September 1994 [2]Annualised from 15 months ended December 1994

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How it started

The first seed of the stock rating was sown thirty years back when Value Research developed the BT Value Research Scripline for Business Today.

It was one of the first attempts to simplify stock investing and identify fundamentally strong stocks with a relative rating, classifying 611 stocks into five grades.

Since then…

We launched **Wealth Insight** magazine in 2007—the only fundamental-driven stock investing magazine with a sheer focus on long-term investing.

We launched **Stock Advisor** in 2017 to recommend stocks with a focus on long-term wealth creation. Since then, many recommendations have gone on to become multibaggers.

How to use the stock ratings

Investors can use the stock ratings as a primary filter to get a manageable list of potential investments from the thousands of stocks listed on exchanges. When combined with our stock screener, the stock ratings can serve as a valuable tool to help you pick stocks based on your own investment philosophy.

The four-parameter rating system

A stock investment is a complex decision based on multiple dimensions and investing styles. A growth investor may prefer a decent-quality company with high growth prospects and a value investor may select a high-quality company available cheaply. However, A momentum investor may prefer an upward price momentum company with good quality financials. Therefore, a stock cannot be judged on a single score, and hence, we offer four score for every stock:

- Quality score
- Growth score
- Valuation score
- Momentum score

Investors can combine these ratings to make decisions based on their investing style. For example, a quality-focused value investor may use a high-quality score combined with a high valuation score, a growth investor may combine a high-quality score with a growth score. Conversely, a momentum investor may combine all three scores with momentum score to boost medium-term performance. Investors can also go with our time-tested composite rating.

Quality score

Quality score is meant to assess the quality of a company quantitatively and tries to capture two aspects, viz., business efficiency and balance sheet quality.

BUSINESS EFFICIENCY: High profitability is a result of a high-quality business. Consistently delivering high returns on resources is a sign of a great business. The following parameters help gauge business efficiency and rank companies accordingly:

Return on equity: **The higher, the better.**

Return on equity is a percentage figure that helps you gauge how efficiently a company can use your investments to generate profit after tax - the higher the return on equity, the more efficient the company's management.

Return on capital employed: **The higher, the better.**

Like return on equity, return on capital employed measures capital efficiency. However, unlike return on equity, it focuses on operating profit and both debt and equity, i.e., total capital employed. This makes ROCE especially useful for assessing the efficiency of those companies where debt is an important part of the capital structure.

Operating profit margins: **The higher, the better.**

Operating profit is the profit generated by the core operations of a business. Thus, the operating profit margin indicates the profitability of the core operations. A higher number can be attributed to either efficient cost control or pricing power.

Debtor to sales: **The lower, the better.**

Debtors represent the amount of money owed by a company's customers. Too much credit to customers can result in short-term liquidity problems. Dividing debtors by sales helps assess the extent of the potential problem. A high ratio calls for more scrutiny.

Both current values and historical values drive the ratings of the companies.

BALANCE SHEET QUALITY: Balance sheet quality represents past performance and is very important in sustaining lean periods. If a business takes a temporary hit due to unforeseen and uncontrollable circumstances, only a strong balance sheet helps the company to sustain through these lean times. The following parameters help to gauge the balance sheet quality and rank companies accordingly:

Debt-to-equity ratio: **The lower, the better.**

Borrowing money to finance operations is not bad. However, if the borrowed amount exceeds a company's ability to repay, the business is in jeopardy. Moreover, debt reduces the flexibility of a company to invest in opportunities that come out of the blue. The debt-to-equity ratio helps you figure out if the company is financially fit.

Contingent liabilities: The lower, the better.

Contingent liabilities represent a potential obligation in the future. Their existence is contingent on a specific event(s). As a result, they are not reported on the balance sheet. A high ratio of contingent liabilities to net worth indicates the growing threat posed by off-balance-sheet liabilities to a company's net worth.

Working capital excluding cash and equivalents to total sales: The lower, the better.

Working capital (current assets minus current liabilities) is the capital tied up in the day-to-day operations of a company. Companies with high working capital requirements use short-term debt to finance their operations. It can weaken a company's financial position if not managed prudently. To conservatively estimate such requirements, we remove cash from consideration and divide the resulting number by sales. A low percentage signals a low need for short-term debt.

For banks and NBFCs, the following parameters are considered:

Return on equity: The higher, the better.

Return on equity is a percentage figure that helps you gauge how efficiently a company can use your investments to generate profit after tax - the higher the return on equity, the more efficient the company's management.

Return on assets: The higher, the better.

Return on assets is a percentage figure that indicates how well a company performs by comparing its profit to the capital it has invested in its assets. The higher the return on assets, the more productive and better the capital allocation decisions made by the company's management.

Net interest margins: The higher, the better.

It is the difference between a lender's interest income and interest expenses, expressed as a percentage of income-generating assets. A lower cost of borrowing and/or higher rates charged to borrowers help increase the net interest margin.

Debt to equity: The lower, the better.

The debt-to-equity ratio is a leverage ratio that shows how much a company's financing comes from debt or equity. Banks and NBFCs tend to have high debt-to-equity ratios because they borrow capital to lend to customers. However, it is better if lenders rely on deposits rather than borrowing to grow their loan book.

Cumulative provision coverage ratio: The higher, the safer.

Banks set aside a portion of their profits as a provision against bad loans to deal in times of default. The cumulative provision coverage ratio measures the aggregate provisions made during the past five years divided by new gross non-performing assets added during the same time. A higher provision coverage ratio means the bank is not vulnerable and the asset quality issue is handled. This ratio helps in estimating the financial health of a bank.

Capital adequacy ratio: The higher, the safer.

The capital adequacy ratio measures a bank's capital as a percentage of its risk-weighted assets. This ratio indicates how well a bank is capitalised and its ability to absorb losses.

Sustainable growth rate (SGR) gap (i.e., SGR – actual advances growth rate) where SGR = RoE x (1 – payout ratio): The closer the ratio is to zero, the better.

The sustainable growth rate is the maximum rate of growth that a company can sustain from its internal accruals without having to finance growth with additional equity or debt. The advances growth rate shows the rate of growth in the loan book. If the difference between the SGR and advances growth rate is huge, the bank is either overly conservative or extremely risk-seeking. The narrower the difference, the better it is.

The quality score is based on the relative ranking of the above parameters and assigning certain weights to the calculated fields.

Both current values and historical values drive the ratings of the companies.

Valuation score

The valuation rating helps to gauge how attractive or expensive a stock is. This quantitative rating considers the stock's current valuation parameters and its relative valuation to its own historical context. The valuation ratings are calculated on a whole range based on the following parameters:

Earnings yield: **The higher, the better.**

The earnings yield depicts how much earnings per share (the sum of the latest four quarters) a company generates on the current share price. This percentage is used to compare the returns generated by other comparable companies. A high ratio indicates more value for your buck.

Price to earnings: **The lower, the better.**

Every investor wants to pay the lowest possible price for every rupee of profit a company makes. But each rupee of profit is valued differently by the market. The price-to-earnings ratio captures this very thing. It measures the expectation of the market with respect to a company's earnings.

Price to book: **The lower, the better.**

Like the price-to-earnings ratio, the price-to-book ratio measures the value assigned to the book value per share (i.e., net worth per share). A low value represents the company trading close to its net worth.

Free cash flow yield: **The higher, the better.**

Free cash flow is the amount of cash a company generates from its operations after incurring all capital expenditures. This amount can then be used to pay off the debt and/or reward shareholders through dividends or buybacks. Free cash flow yield (i.e., free cash flow as a percentage of market cap) is a useful valuation tool to assess how a company is valued. A high ratio indicates that it is priced attractively.

Price/Earnings-to-growth (PEG): **The lower, the better.**

The PEG ratio takes the price-to-earnings ratio a step further and incorporates the historical five-year earnings growth to estimate how the company is valued. A ratio lower than one is considered to be attractive.

Dividend yield: **The higher, the better.**

The dividend yield tells you the percentage of dividends a company pays out of its share price. A high ratio indicates that you recover more of your investment through dividends.

For banks and NBFCs, the following parameters are considered:

Price to earnings: The lower, the better.

Every investor wants to pay the lowest possible price for every rupee of profit a company makes. But each rupee of profit is valued differently by the market. The price-to-earnings ratio captures this very thing. It measures the expectation of the market with respect to a company's earnings.

Price to book: The lower, the better.

The price-to-book ratio measures the value assigned to the book value per share (i.e., net worth per share). A low value represents the company trading close to its net worth. In the case of banks, this ratio is preferred over the P/E ratio, as most assets and liabilities are calculated on their current values.

PE to SGR: The lower, the better.

The P/E to sustainable growth rate ratio takes the P/E ratio a step further and incorporates the historical five-year sustainable earnings growth rate to estimate how the company is valued. A company growing at a faster pace than its P/E makes the PE to SGR ratio less than one and is considered to be attractive.

Dividend yield: The higher, the better.

The dividend yield tells you the percentage of dividends a company pays out of its share price. A high ratio indicates that you recover more of your investment through dividends.

Both current values and their position in the context of the company's own five median range are considered for a few parameters.

Growth score

The growth scores are designed to give a holistic rating of the business's historical growth and scale. It is calculated using the following parameters:

Operating revenue: The higher, the better.

Revenue is what drives a business. Measuring its growth indicates how a company has increased its scale of operations over the years.

Operating profit: The higher, the better.

Operating profit is the profit generated from the core operations of a business. Growth in revenue without growth in operating profit will not add any value to the company. Thus, tracking operating profit growth is important.

Profit after tax: The higher, the better.

Profit after tax is the profit attributable to shareholders of the company. Growing profits are a sign of a healthy and successful business.

Cash flow from operations: The higher, the better.

To avoid falling prey to accounting gimmicks of management, you can rely on cash flow from operations to show a clearer picture of how the business's operations are doing. Consistent growth in cash flow from operations is a desirable characteristic in a company.

Piotroski F-score: The higher, the better.

Devised by an accounting professor in the US, the Piotroski F-score rates companies based on nine financial parameters to determine the strength of their financial position. The score rewards recently attractive performers more than consistent performers.

For banks and NBFCs, the following parameters are considered:

Net interest income: The higher, the better.

Net interest income (NII) is the difference between the interest income a bank earns from its lending activities and the interest it pays to its depositors. A growth in NII indicates how a company is increasing its scale of operations.

Operating profit before provisions: The higher, the better.

Operating profit is the profit generated from the core operations of a bank. Operating profit before provisions is the income a bank earns before subtracting funds set aside to provide for future bad debts. Growth in interest income without growth in operating profit will not add any value to the company. Thus, tracking operating profit along with interest income growth is important.

Profit after tax: The higher, the better.

Profit after tax is the profit attributable to shareholders of the company. Growing profits are a sign of a healthy and successful business.

Advances: The higher, the better (with caveats).

Advance (or loan advanced) is the amount lenders lend. An advance can be given for both long-term or short-term duration. For a bank to grow, it is necessary to increase its advances. However, growth in advances should not come at the expense of profitability. It is important to maintain good underwriting standards.

Book value: The higher, the better.

A company's book value is the sum of all the line items in the shareholder's equity section of the balance sheet. Book value can also be calculated as the difference between the value of a company's total assets and liabilities. As a company's profit increases, it would lead to an increase in its book value.

The ratings are based on the absolute ranges and are driven by current performance and historical consistency of growth. Per share data is considered for each parameter to calculate growth.

Momentum Score

Momentum scores represent the price movement of a stock and its relative volatility compared to the universe (large, mid, and small cap). It is calculated using the following parameters:

Momentum ratio: The higher, the better.

Investors love price appreciation but the inherent risk aversion makes us vigile when it comes to volatility. Momentum ratio measures the price movement of a stock against its volatility.

Momentum ratio score (MRS): The higher, the better.

Performance only makes sense when compared. 'MRS' checks the performance of a stock against its universe considering universe volatility.

Weighted Average Score : The higher, the better.

It is calculated by assessing weights to different time periods within the selected range.

The momentum score is based on the relative ranking of the above parameter.

The exclusions

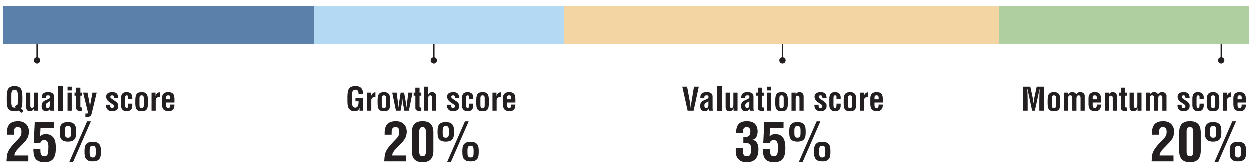
The following category of companies is excluded from the ratings:

- Companies that have not traded in the last one month.

- Companies whose latest financials are not available.
- Companies that do not have a three-year history.
- Companies with low trading history in the last three years.
- Companies that have had zero sales for any period in the last three years.
- Companies with accumulated losses or negative net worth on the latest balance sheet.
- Companies that account for the bottom one per cent of the total market capitalisation of all the listed companies.

The 5-star composite rating

The composite rating represents all four ratings in one for a quick reference. It combines all four: quality, valuation, growth, and momentum score in the following weights.



The companies are ranked in descending order based on the combined score with the given weights. The resulting number is then rated according to the following distribution:

5-Star: Top 10 per cent

4-Star: Next 22.5 per cent

3-Star: Middle 35 per cent

2-Star: Next 22.5 per cent

1-Star: Bottom 10 per cent

Disclaimer: All the star ratings are based on the quantitative historical financial data of the company. These ratings should not be construed as recommendations.