

Twitter Thread by Supriya Rathi



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Lesson 1: How to Find Intrinsic Value of a Stock?

■ For long-term investors, it is necessary to know when to buy the stock.

■ Retweet to educate everyone.

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Finding Intrinsic Value of a Stock

- Intrinsic value of a stock is the price to earnings ratio.
- The P/E ratio is calculated by dividing the price of the stock by the total of its 12-months trailing earnings. ($P/E = \text{Share Price} / \text{EPS}$)
- **Intrinsic Value = Avg. P/E Ratio * Earnings Per Share**

Example1 (Icici Bank - Rs.625)

1. Let's say the historical P/E ratio for Icici Bank has been **28.1**
2. The current P/E ratio is **31.1**
3. The current P/E ratio is **31.1** divided by **14.8**(EPS) equals **2.1** times.
4. If it were trading at its historical P/E ratio of **28.1**, the current stock price should be **28.1 * 14.8** equals **415.88**
5. On this basis, the current stock price of Icici is overpriced.

Example2 (Coal India - Rs.151)

1. Let's say the historical P/E ratio for Coal India has been **7.2**
2. The current P/E ratio is **7.5**
3. The current P/E ratio is **7.5** divided by **27.1**(EPS) equals **0.27** times.
4. If it were trading at its historical P/E ratio of **7.2**, the current stock price should be **7.2 * 27.1** equals **195.12**
5. On this basis, the current stock price of Coal India is underpriced.

Forgot to add the link: Check companies last 5yr data.

<https://t.co/3NOK5CJ9a8>