

Sector	Key Evaluation Parameters	Description/Notes
Retail	- Sales per square foot - Gross margin return on investment (GMROI) - Average transaction value - Inventory turnover - Conversion rate	Measures space efficiency, profitability from inventory, customer spend per visit, stock movement speed, and visitor-to-buyer ratio.
Manufacturing	- Overall equipment effectiveness (OEE) - Cycle time - Capacity utilization - Inventory turns - First pass yield	Assesses production efficiency, time per unit, resource usage, inventory efficiency, and defect-free output rate on first try.
Pharmaceutical	- Brand share of voice (SOV) - % of doctors willing to prescribe brand - Incremental prescriptions (Rx's) - Unaided brand awareness - Promotion expenditures	Tracks market influence, prescriber preference, sales growth from marketing, recall without prompts, and cost efficiency of promotions.
Healthcare	- Average length of stay (ALOS) - Cost per discharge - Case mix index - Days in accounts receivable - Patient satisfaction score	Evaluates treatment duration, cost efficiency per patient, complexity of cases, billing speed, and quality of care.
Construction	- Cost predictability (actual vs. baseline) - Time predictability (schedule adherence) - Number of defects - Profit margin over project timeline - Client satisfaction level	Monitors budget overruns, delays, quality issues, profitability trends, and post-project feedback.

Aspect	Income Statement (P&L)	Cash Flow Statement	Balance Sheet
Purpose	Measures PROFITABILITY and performance over a period by showing revenues, expenses, and net income.	Assesses LIQUIDITY by tracking actual cash inflows and outflows from operations, investing, and financing activities.	Provides a SNAPSHOT OF FINANCIAL POSITION at a specific point in time, detailing assets, liabilities, and equity.
Accounting Basis	Accrual basis (recognizes revenues/expenses when earned/incurred, not when cash changes hands).	Cash basis (focuses on actual cash movements, ignoring non-cash items).	Accrual basis (historical cost or fair value for assets/liabilities as they stand).
Key Components	Revenues, cost of goods sold, operating expenses, taxes, net profit/loss.	Cash from operations (e.g., receipts minus payments), investing (e.g., asset purchases), financing (e.g., loans, dividends).	Assets (current/non-current), liabilities (current/non-current), shareholders' equity.

Aspect	Income Statement (P&L)	Cash Flow Statement	Balance Sheet
Focus	Overall FINANCIAL PERFORMANCE and earnings quality.	SOLVENCY AND ABILITY TO GENERATE/PAY CASH for obligations.	FINANCIAL STRENGTH, LIQUIDITY, AND CAPITAL STRUCTURE.
Relevance to Analysis	Helps evaluate operational efficiency and trends in earnings (key for valuation in research analysis).	Reveals if profits translate to cash; identifies cash burn or generation (crucial for sustainability).	Enables ratio analysis (e.g., current ratio, debt-equity) to gauge leverage, efficiency, and stability.

How Changes Limit Quantitative Approaches

Changes in accounting standards (e.g., Ind AS 116), business structures (e.g., NCLT demergers), and regulations (e.g., SEBI PIT) disrupt data comparability, forcing model recalibrations and limiting pure quant tools like DCF.

Change Type	Impact
Accounting	Alters reporting (e.g., Ind AS 115), invalidating historical models/ratios.
Structure	Mergers shift bases, complicating trends/multiples.
Regulations	Adds costs/risks (e.g., SEBI RA Reg 18), reducing forecast reliability.

SCP Paradigm: The SCP paradigm is an economic framework analyzing how market structure shapes firm conduct, which impacts industry performance; developed by economists like Edward Mason and Joe Bain in the 1940s–1950s.

Component	Description	Examples
Structure	Market features (e.g., firm concentration, entry barriers).	High concentration in oligopolies like Indian telecom (Jio, Airtel).
Conduct	Firm strategies (e.g., pricing, collusion, innovation).	Cartel pricing in cement industry.
Performance	Outcomes (e.g., efficiency, profits, consumer welfare).	High profits but reduced competition in monopolies.

Aspect	Sell-Side Analysts	Buy-Side Analysts
Employer	Investment banks, brokerages (e.g., Goldman Sachs, Morgan Stanley).	Asset managers, hedge funds, mutual funds (e.g., BlackRock, Vanguard).
Primary Role	Produce research reports, recommendations to attract clients and facilitate trades.	Conduct internal analysis to guide firm's investment decisions and portfolio management.
Research Output	Publicly distributed reports for institutional clients; often used by buy-side for insights.	Confidential, in-house research not shared externally; focuses on broad, proprietary strategies.
Compensation	Based on commissions from trades and client relationships; more	Tied to portfolio performance and investment success; higher

Aspect	Sell-Side Analysts	Buy-Side Analysts
	marketing-oriented.	potential but performance-driven.
Audience/Clients	External clients (institutional investors) to sell securities and advisory services.	Internal firm stakeholders; no direct client-facing sales.

Structure-Conduct-Performance (SCP) Paradigm

The SCP paradigm is a foundational framework in industrial organization economics, analyzing how market structure influences firm conduct, which determines industry performance.

Component	Description	Examples
Structure	Market characteristics like number of firms, concentration (e.g., HHI), barriers to entry.	Oligopoly with high entry barriers (e.g., telecom).
Conduct	Firm behaviors such as pricing, collusion, advertising, R&D investment.	Price-fixing cartels or aggressive marketing.
Performance	Outcomes like profitability, efficiency, innovation, consumer welfare.	High profits but low innovation in monopolies.

Regulation	Concise Summary
1	Regulations titled SEBI (Research Analysts) Regulations, 2014, effective 90 days after Gazette publication.
2	Definitions for key terms like "research analyst," "research report," "Board," etc.
3	Mandatory registration for research analysts/entities; 6-month grace for existing; Form A application.
4	Foreign analysts must agree with Indian registered entity for listed securities reports.
5	Board may seek further info or personal representation from applicants.
6	Board evaluates eligibility: structure, qualifications, capital, fitness, infrastructure.
7	Minimum qualifications/experience and NISM certification required for analysts.
8	Net tangible assets: ₹1L (individuals/partners), ₹25L (corporates/LLPs).
9	Grant certificate in Form B upon satisfaction and fee payment.
10	Certificate valid until suspended/cancelled.
11	Pre-2016 certificates valid with fee payment per Schedule II.
12	Refusal communicated within 30 days; cease operations immediately.
13	Conditions: Abide by Act, inform changes, use "research analyst" term.
14	Board may recognize self-regulatory bodies for oversight.
15	Internal policies for conflicts, independence, anti-manipulation.
16	Trading restrictions on recommended securities; monitoring required.
17	Compensation not linked to banking/brokerage; independent review.

Regulation	Concise Summary
18	Bans on reports/appearances post-offerings; no solicitation.
19	Disclosures in reports/appearances: ownership, conflicts, interests.
20	Reports based on reliable info; consistent ratings, explanations.
21	Disclosures in public appearances; applies to directors/employees.
22	No selective distribution; review/disclose for third-party reports.
23	Applies to proxy advisers with relaxations; additional disclosures.
24	Arms-length separation; Code of Conduct; notify control changes.
25	Maintain records 5 years; annual compliance audit.
26	Appoint compliance officer for corporates/LLPs.
27	Board may inspect books for compliance/investigation.
28	7-day notice for inspection; interim reports if needed.
29	Provide documents, cooperation during inspection.
30	Inspecting authority submits report to Board.
31	Board may issue directions post-inspection/hearing.

Beta Value	Meaning	Implication
> 1	Stock is more volatile than the market; amplifies movements (e.g., rises/falls 1.5x market).	Higher risk/reward; suits aggressive investors.
< 1	Stock is less volatile; dampens movements (e.g., rises/falls 0.7x market).	Lower risk; defensive, suits conservative investors.
= 1	Matches market volatility.	Neutral risk; tracks benchmark.