

A guide to Prime Screeners

Prime Screener is a tool for DIY equity investors. It seeks to help you screen stocks based on key fundamental metrics. This makes your investing a more process-driven approach, where you can eliminate stocks that do not make the cut in terms of quality, growth or valuation metrics and focus on those that do.

Prime Screener does not give you all the data, metrics, or ratios that exist. Instead, we have only picked those metrics that we think are necessary, relevant and useful in filtering stocks before you get to analysing individual companies.

We have divided these metrics into the following heads:

- **Quality**, key parameters related to a company's balance sheet
- **Growth**, key parameters related to a company's profit & loss statements
- **Valuation**
- **Ownership**

This guide explains each of these and how to use it.

In addition to these filters, we have Premium Screeners. Our research team has designed these screeners which use a completely different set of filters and trends to shortlist stocks. Our research team will be updating and adding to this list.

Section 1 – Points to note on data

Before getting to the filters and explanations, a few important points you need to note:

1. **The screener is not a stock data tool.** It is an analysis tool. If you wish to download raw stock data, you will need to go to individual stock details pages.
2. **We have used consolidated data wherever applicable** and standalone in all other cases.
3. **The screener is provided only for NSE listed companies.** We believe this adequately covers the universe of tradable stocks. You can go to the stock details page to check specifics of a company listed only on the BSE and not on the NSE.
4. **The data provided will be the latest data filed by the company with the stock exchanges.** This could vary between companies. For example, the financial year end may be March for some, December for some and September for others. Similarly, at quarter ends, some companies may have declared results while others may be yet to do so. The calculations given in the screener take into account the latest disclosed data available from our data provider at the time you use the tool.
5. **In filters that use compounded annual growth**, where the beginning or end values are losses, we have not calculated the CAGR.

6. **Some filters given will be relevant for some sectors only and not for others.** You need to be aware of which ones will suit the sectors/companies you are looking at. For example, while you would find data on sales or EBITDA for banking companies, the right metrics to see would be net interest income and net interest margin. We have tried to provide relevant sector-specific data wherever available.
7. **Some companies may not have past data disclosure** either because they were listed through a recent IPO or were demerged from some other entity. You may not find growth or quality metrics for such companies.

Section 2 - How to start

By default, you will get the entire universe of stocks at the outset.

From this, you can begin by choose your stock universe by setting ranges for one or more of the following filters:

1. Stock price
2. Stock market cap
3. Sector
4. Price-to-earnings ratio
5. Price-to-book ratio

For example, you can choose the chemicals sector and give a range of less than Rs 5,000 crore market cap, or a P/E ratio of less than 10 times.

You can also choose to ignore the filters above and move directly to the filters explained below.

Section 3 – Filters and how to use

Filters help you screen stocks based on multiple criteria. For example, you might want to choose companies with revenue of over Rs 100 crore. Or you may choose companies with say PAT growth of over 10%. Or you might want companies that grew PAT by 10% while also having positive operating cash flows for the past few years.

We have organized these filters into 4 broad heads as follows:

- **Growth filters** – key parameters related to a company's profit & loss account
- **Quality filters** – key parameters related to a company's balance sheet
- **Valuation filters** – key parameters related to a company's price in relation to metrics such as earnings or book value.
- **Ownership filters** – metrics to understand shareholding pattern of promoters, MFs and FPIs

The full list of metrics is explained below, along with **how to use each of them in case you are new to equity investing.**

Growth filters	What it means
Revenue - latest yr	Total Net Sales for the latest ended financial year reported.
PAT - latest yr	Profits after tax: the reported net earnings for the latest ended financial year.
Revenue growth % - latest yr	Growth in net sales for the latest ended financial year over the previous year.
EBITDA growth % - latest yr	Growth in operating profit for the latest ended financial year over the previous year. Operating profit is the Earnings before Interest, Tax, Depreciation & Amortisation Expenses and includes other income.
PAT growth % - latest yr	Growth in reported profits after tax for the latest ended financial year over the previous year.
OCF growth % - latest yr	Growth in operating cash flow (OCF) for the latest ended financial year over the previous year. A growth indicates that the business generates higher cash to sustain its business.
Revenue growth % - 3 yr CAGR	Compounded annual growth in net sales in the last 3 financial years.
EBITDA growth % - 3 yr CAGR	Compounded annual growth in operating profit in the last 3 financial years.
PAT growth % - 3 yr CAGR	Compounded annual growth in net profit after tax in the last 3 financial years.
EBITDA margin % - latest yr	The proportion of EBITDA to total sales for the latest financial year. Gives the profitability after operating expenses and before interest, depreciation, and tax. Higher margin indicates a more profitable business.
PAT margin % - latest yr	The proportion of reported net profit to sales for the latest financial year. A higher margin indicates a more profitable business.
EBITDA margin % - 3 yr avg	Average of EBITDA margin for the last 3 financial years or for the number of years of company's existence (in terms of declared results), whichever is lower.
PAT margin % - 3 yr avg	Average of PAT margin for the last 3 financial years or for the number of years of company's existence (in terms of declared results), whichever is lower.
Revenue growth % - latest qtr (yoy)	Growth in net sales in the latest reported quarter over the same quarter in the previous year.
EBITDA growth % - latest qtr (yoy)	Growth in operating profit in the latest reported quarter over the same quarter in the previous year.
PAT growth % - latest qtr (yoy)	Growth in net profit in the latest reported quarter over the same quarter in the previous year.
NII - latest yr	A bank's interest income after deducting interest paid on its borrowings. A higher net interest income shows higher activity in the core business of lending.

NII growth % - latest yr	Growth in net interest income in the latest reported financial year over the previous year.
NII growth % - 3 yr CAGR	Compounded annual growth in net interest income in the last 3 financial years.
NII growth % - latest qtr (yoy)	Growth in net interest income in the latest reported quarter over the same quarter in the previous year.
NIM %	Net interest income of the banks as a proportion of their total interest income.
NIM % - 3 year avg	Average of net interest margin for the last 3 financial years or for the number of years of company's existence (in terms of declared results), whichever is lower.

Quality filters	What it means
ROE - latest yr	Net profit as a proportion of net worth (shareholders' funds) for the latest financial year. Indicates the returns earned on equity stakeholder's investment.
ROE - 3 yr avg	Average return on equity for the past 3 financial years.
ROCE - latest yr	Net profit before interest and tax as a proportion of shareholders' funds plus long-term debt. Gives the returns earned on equity and debt capital. Useful metric for companies that borrow to grow their business.
ROCE - 3 yr avg	Average return on capital employed for the past 3 financial years.
ROA - latest yr	Net profit as a proportion of total assets of a company. Indicates how well a company uses its assets. A higher number indicates better asset utilisation.
Latest D/E Ratio	Total liabilities as a proportion of shareholders' funds. A higher ratio indicates that a company borrows more. A very high ratio may be an indicator of higher risk.
Interest coverage ratio - latest yr	Earnings before interest and tax divided by the borrowing cost or interest expenses of a company. Suggests if the profits are adequate to cover interest cost.
GNPA%	Gross non-performing assets are a proportion of a bank's total loans on which borrowers have defaulted on payments. A higher ratio indicates higher business risk.
NNPA%	Net non-performing assets are a proportion of a bank's GNPA after deducting provisions for doubtful debts and any claims/interest received but kept separately even so. This is the real potential bad loans for a bank after netting for provisions already created.
Loan book - latest yr	The total outstanding loans and advances issued by the bank at the end of a financial year.
Loan book growth % - 3 yr CAGR	Compounded annual growth in loan book in the last 3 financial years.

Operating cash flow / EBITDA (%)	Operating cash flow of a company as a proportion of total operating profits. Used to assess the quality of profits. A higher proportion indicates high quality of earnings.
No. of yrs of +ve cash flow in 3 yrs	Number of years in the past 3 financial years that operating cash flow was positive.
Cash conversion cycle	Calculated by reducing the creditor days from the sum of inventory and debtor days. Lower days indicates quick turnaround of working capital. A negative cash conversion cycle generally indicates better working capital management.
Div. payout - 3 yr avg	Average of the last 3 years' ratio of dividend per share to earnings per share.
CASA %	The proportion of current and savings account balance in a bank to its total deposits. A higher % indicates a cheaper source of funding.
CAR	Capital adequacy ratio is the proportion of a bank's available capital to its total risk-weighted credit exposure (loans). RBI prescribes the minimum CAR value that banks need to maintain to ensure that they are capitalised well enough to absorb the risks arising from the lending business.

Valuation filters	What it means
P/E	The price of a stock divided by the trailing 12-month earnings per share. Suggests the premium (price) paid by the market for a rupee of earnings. A higher PE typically suggests that a stock is trading at a premium to peers or its own history. PE can also be based on future earnings.
P/B	The price of a stock divided by the book value per share. Suggests the premium (price) paid by the market for a rupee of the company's assets net of liabilities. A relatively higher ratio indicates premium valuations.
Dividend Yield	Total dividend per share divided by the price per share. It suggests the returns from the company in the form of dividend, for a given price. A higher yield suggests superior returns at a given market price.
EV/EBITDA	Ratio of a company's Enterprise Value (Total Market cap of the company + Total Debt - Cash and Cash Equivalents) to its operating profits. A valuation ratio that suggests the number of times a firm is valued on its operating profits.
Mcap/Sales	The number of times a stock is traded in relation to its net sales. A relatively higher ratio indicates premium valuations.

Ownership filters	What it means
FII % - latest qtr	Shareholding % of foreign institutional investors in a company for the latest reported quarter.
MF % - latest qtr	Shareholding % of mutual funds in a company for the latest reported quarter.
Promoter % - latest qtr	Shareholding % of promoters of a company for the latest reported quarter.
Promoter pledging % - latest qtr	Proportion of promoter holdings that are pledged for the latest reported quarter.

Disclaimers

The output derived in Prime Screeners are not recommendations given by Redwood Research. Prime Screener is only a tool to provide you with output based on criteria that you choose. Prime Screener is meant for you to filter, shortlist, and identify stocks from the whole stock universe that you wish to further analyse. Redwood Research will not be responsible for any investment decisions you take based on these screeners.

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