Value Research Stock Ratings FAQs

Value Research

What are Value Research Stock Ratings?

Value Research Stock Ratings are purely machine-generated quantitative ratings based on historical financial and price-related data. Every eligible stock receives four ratings: Quality, Valuation, Growth and Momentum. These ratings are assigned by analysing over a hundred financial data points. Investors can use these four ratings as per their investment principles. Additionally, our composite rating combines the four ratings in specific proportions to offer a more holistic view.

The primary purpose of these ratings is to help investors filter stocks and narrow down the investable universe. It should be noted that investment decisions should not be solely based on Value Research Stock Ratings.

How are they useful for investors?

Value Research Stock Ratings answers the two primary challenges in stock investing. First, there are thousands of listed companies. Irrespective of the investor's level of expertise, it is a daunting task to pick stocks from such a large pool. Second, analysing stock requires going over hundreds of financial data points.

By using stock ratings as a filter, investors can narrow down their investable universe. Also, investors can quickly assess individual stocks using our ratings instead of referring to hundreds of financial parameters.

In addition, investors can use various combinations of our ratings as per their investing style. For example, a quality-focused value investor may explore stocks with both a high quality rating and a high valuation rating. Conversely, a growth investor may filter stocks with a high quality rating and a high growth rating. A GARP (growth at a reasonable price) investor may combine all four ratings. Investors can also go with our composite rating for a more comprehensive analysis.

How have we derived the stock ratings?

Value Research has thirty years of stock research experience. Based on our long-term investing principles and experience, we have identified four key factors for healthy returns: quality, valuation, growth and momentum.

Our four ratings strive to capture the individual essence of these factors using purely quantitative methods. Note that while our experts have developed the methodology, the ratings are derived digitally without any human intervention. You can read the detailed methodology here.

Does a high stock rating guarantee high returns?

Stock ratings serve as a good starting point for filtering. They should never be the sole trigger for investing in a stock. So, a high stock rating does not mean guaranteed high returns in the future. This is because ratings are based on just quantitative parameters and do not include qualitative factors.

However, we observed in our back-testing that high composite-rated stocks performed better over a period of five years (starting 2013). Click here for the detailed report.

Are stock ratings foolproof?

Stock ratings are completely based on quantitative factors where hundreds of financial data go into calculations. If the data is manipulated or erroneous, the ratings may be inaccurate. These ratings do not capture the qualitative aspects of the companies as well. Moreover, the financial data used for deriving stock ratings are historical and not forward-looking.

Hence, there might be instances where a low-quality company may fetch a high rating due to financial manipulation or other sudden significant changes.

Are stock ratings for short-term or long-term investors?

Value Research stock ratings have been developed and back-tested only for long-term investments. These ratings may not work for short-term investments. Long-term returns closely follow the fundamentals of the company. In contrast, short-term returns are near-impossible to predict given the diverse array of factors at play, such as hype, present market sentiment surrounding the stock, etc.

How frequently are stock ratings updated?

Stock ratings are refreshed on a daily basis before the market opens. However, it is important to note that while price-related ratios change on a daily basis, many financial parameters might change only on a quarterly basis.

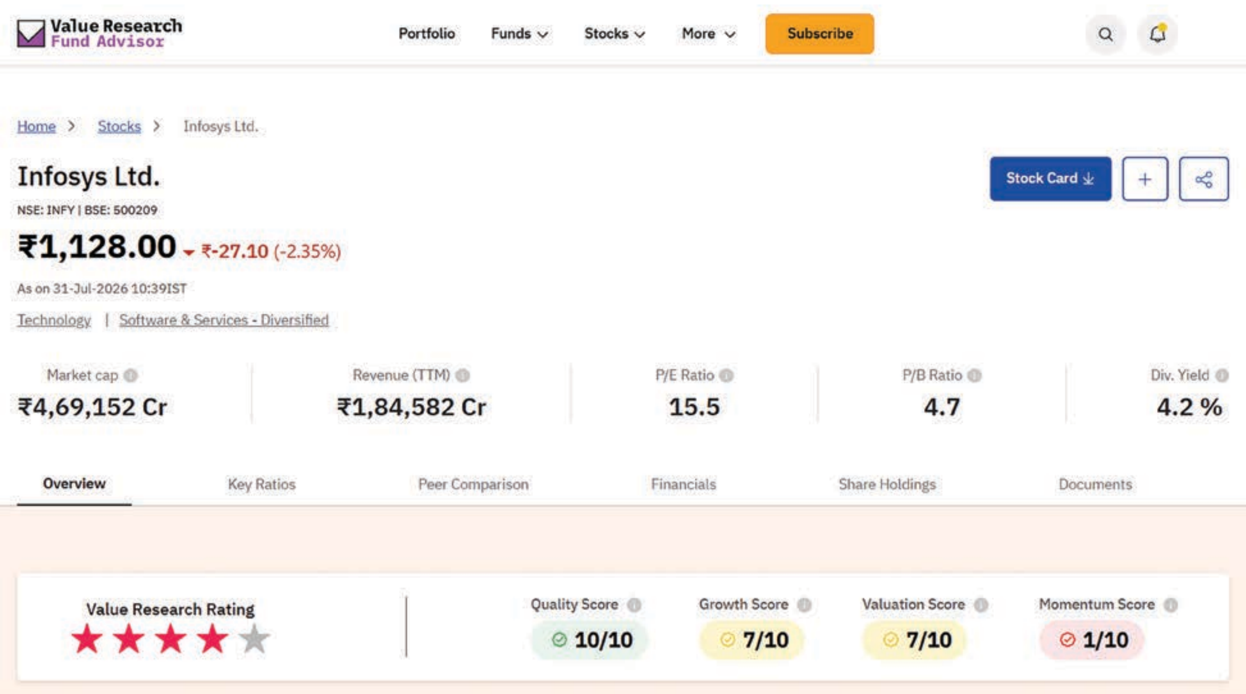
Which stocks are eligible for a rating?

We take all the listed companies on the exchanges. However, 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 five-year history
- Companies that have had zero sales for any period in the last five years

Where can I find Stock Ratings, and how can I filter stock based on ratings?

Value Research Stock ratings are available on the respective stock pages. Simply enter the name of the stock in the search bar, select the stock from the dropdown and press enter:



Stock can be filtered based on ratings from our Stock Screener. Users can add the ratings as criteria and set their parameters.