

Big data analytics in valuing and selecting small and medium capital stocks: An Indian analysis

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An important application of Big Data Analytics in Finance is to find a method of valuing the company stock(s), based on several variables, derived from some or all of the following factors: (a) Environmental Factors (b) Business Factors (c) Management Factors (d) Factors related to Financials (e) Valuation Related Factors (f) Regulatory and Other Factors. In other words, given a company stock, we should be able to value it and decide whether to invest in it or not. The traditional method followed in investing is to try and calculate the intrinsic value of the stock based on a number of methods such as discounted cash flow, projecting the earnings and using the forward Price to Earnings multiple or the forward Enterprise value to EBITDA multiple. However, this process is highly subjective and highly based on the assumptions used in the model. Different analysts could come up with very different estimates of the intrinsic value of the company.

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