PW SKILLS

FINANCE

STOCK MARKET

DATA

Understanding Shares and Basic Investor Terminology

BANKING

MARKETING

3 STAGE FORMATION

- Promotion Stage :- This stage involves conceiving a business idea, conducting market research, identifying a profitable opportunity, and formulating a plan to exploit it. The entrepreneur takes the initiative to establish the business.

- Incorporation Stage :- After the promotion stage, the entrepreneur incorporates the company by registering with the government and obtaining licenses and permits. This establishes the company as a separate entity from its owners and gives it legal recognition and rights.

- Capital Subscription & Commencement Stage :- The final stage is capitalization, which raises funds for the company's operations. This can be done through issuing shares, obtaining loans, or reinvesting profits. By investing in growth and expansion, capitalization ensures the long-term sustainability of the company.

STARTING FLIPKART

Let's say Sachin is thinking about opening a new company to sell books with the name Flipkart

STARTING FLIPKART

On starting Flipkart, both Sachin and Binny Bansal would have been recognized as promoters since, they would have had the control of the company and must've been looking after the affairs of the company

Ok Sachin, let's put some money together and ask our friends for some funding

Hey Binny, let's start an online book selling company named Flipkart. But we'll need ₹10 Lakhs for it

STARTING FLIPKART

After arranging for finance (funding), the promoters need to find a place to set up a registered office so that company can get registered by the Registrar of Companies (RoC)

BUT NOW THE QUESTION IS HOW MANY SHARES EACH PROMOTER WILL GET?

FACE VALUE?

- Face value is the value of the share as listed in company's books and share certificates

- It is the total share capital of a company divided by the number of shares

= **1 SHARE** THEN **₹ 10 LAKH INVESTED** = **10 LAKH SHARES**

IS THERE ANY CONDITION IN FIXING THE FACE VALUE?

Can it be:

- 1 SHARE = ₹1?
- 1 SHARE = ₹10?
- 1 SHARE = ₹1,000?

- Face value can be ₹1, ₹10, ₹100 or any other value as decided by the company

OWNERSHIP OF PART OF THE COMPANY

If the value of the company is ₹10 Lakhs and you have invested ₹1 Lakh so you own 10% of the Company

NOW THE BIGGEST QUESTION IS WHAT TO DO WITH THESE SHARES

Capital Appreciation

There are 2 ways to make money from shares

Dividends

CAPITAL APPRECIATION

- Capital appreciation is the growth in the market value of assets or investments
- It is increase in the value of shares while investors still holds them.
- Let’s understand from our example of Flipkart, how the capital invested in 2017 appreciated till 2023.

2017		2023
Capital value = ₹ 10 Lakh	→	Capital value = ₹ 1 Cr.
1 Share = ₹ 1	→	1 Share = ₹ 10
1 lakh Rupees invested	→	Invested money turns into ₹ 10 Lakh

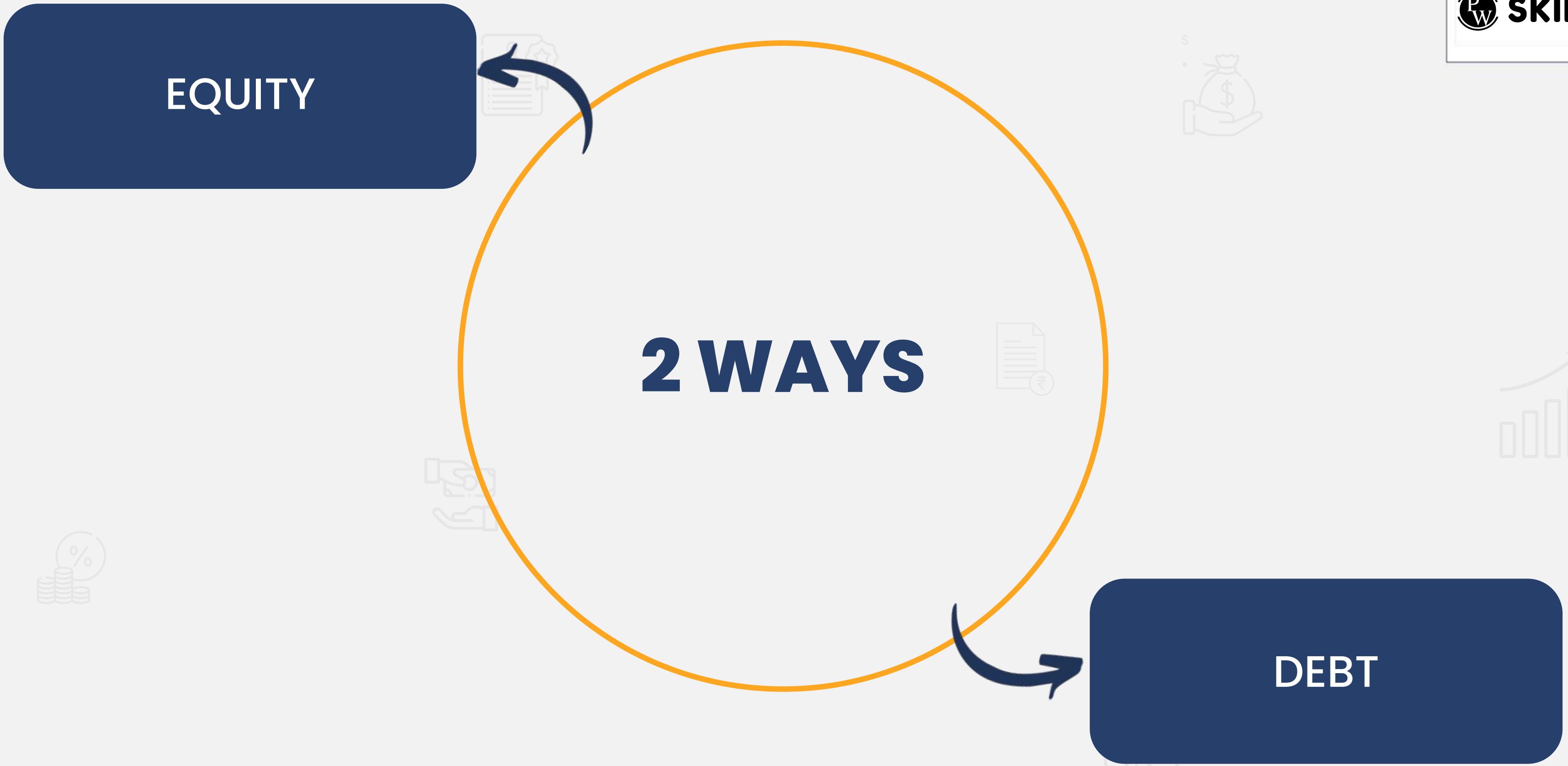
DIVIDEND

- Dividend is the distribution of profits by a company to its shareholders
- Dividend distribution is optional i.e company may decide to distribute a part of profits to the shareholders or can reinvest the entire profit earned to fuel its growth
- Dividends can be paid quarterly or annually
- **Dividend Yield = (Dividend per share/ Market price per share)*100**

Suppose a company has paid a total dividend of Rs. 20 per share in a year and the current market price of its stock is Rs. 200. Then, the dividend yield can be calculated as:

Dividend Yield = (Rs. 20 / Rs. 200)*100 =10%

WHAT IF COMPANY WANT TO RAISE MONEY?


EQUITY
2 WAYS
DEBT

MONEY AGAINST SHARES (EQUITY)

- **Angel Investors:** They are generally wealthy individuals who invest small amount of money in early stages of the company
- **Venture Capital:** These are firms that invest in businesses with a defined revenue model and rapidly-growing customer base
- **Private Equity:** These are firms that invest in businesses with stable cash flows and have much larger investment appetite than venture capital firms
- **Public Offering:** Funds can also be raised from the public i.e., by way of an IPO.

SHARE MARKET

Share market is where shares of publicly held companies are either issued or traded in Shares are traded on what is called a stock exchange. At present, India primarily has two Stock exchanges

National Stock Exchange

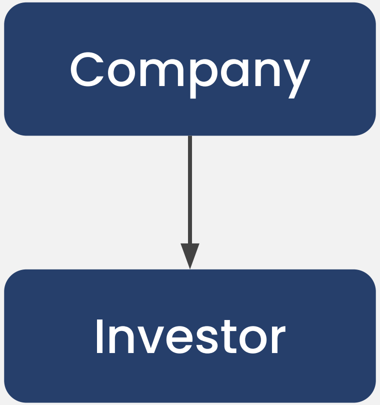
Bombay Stock Exchange

MARKET CATEGORIES

Primary Market

Secondary Market

PRIMARY MARKET

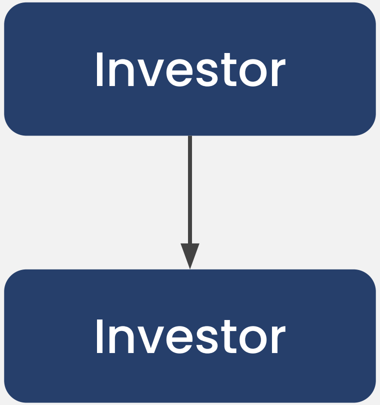


Companies issue shares on the primary market to raise money. This is also called getting listed in a stock exchange

EXAMPLE

Nykaa came out with its IPO and listed its shares on Indian exchanges on November 10, 2021.

SECONDARY MARKET



In the secondary market, one investor buys shares from another investor at whatever price the two parties agree upon (generally near the prevailing market price)

IPO

Company has 2 options:-

Sale existing shares (OFS)

Money raised via OFS is not reinvested into the company and gives you the opportunity to pocket the money against the shares you sold and earn a return on your initial investment.

Issue fresh shares

which can be used for the following purposes:

- Expanding the business
- Paying off existing loans/debt
- Utilizing money for daily operations
- Fund research and development
- General Corporate Purposes

DEMATERIALISATION OF SHARES

- Earlier, each time a share was bought and sold; a physical share certificate had to be created
- To do away with this paperwork India introduced the Demat Account system in 1996 for trades on NSE
- Today, it is compulsory to have a Demat Account for carrying out equity-related transactions
- A Demat Account is like a bank account for holding share certificates and other securities in an electronic format

DO ALL SHARES NEED TO BE CONVERTED TO DEMAT FORM?

NO

You can still hold share certificates, but if you want to trade shares of your company on the stock market, it must be compulsorily dematerialised

BENEFITS OF A DEMAT ACCOUNT

- No paper certificates
- Ease of Storage and access
- Can hold variety of financial instruments in a single account

WHY INVEST IN STOCKS

The question arises, why would anyone want to invest in your company's IPO or any stock at all.

Simple Answer

Return on Investment in Stock > Return on other Instruments

Investing in Share Market depends upon the patience level of individual

High Patience → **Long term Investment**

Low Patience → **Short term trading**

We have all heard the saying:

Never put all your eggs in the same basket.

Stock can provide inflation-beating returns and providing benefits of being an inflation hedge like gold

STOCKS V/S FIXED DEPOSITS

Basis	Stock	Fixed Deposits
Return	Approx 15% p.a.	Approx 6-7% p.a.
Risk	High Risk	Low Risk
Liquidity	Highly liquid	Can be liquidated before lock in but with penalty
Tax	LTCG= 10% STCG= 15%	As per slab rate (5%,20%,30%)

TAX BENEFIT OF INVESTING

Investment	Benefit
ELSS	Benefit under 80C on up to 1.5lakh investment
Investment for more than 1 year	Exempt from tax up to the profit of 1 lakh
Short term invt gains	Can be adjusted from short term losses
Capital Gain	Can be adjusted from Capital losses

SKILLS

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THANK YOU

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