FUNDAMENTALS OF STOCKS AND INVESTMENT-DISCORD EDITION

- Dhairyasen Deshmukh

LECTURE 1: BASICS OF STOCK MARKET

- Need Strong Finance background
- 2008 US crisis
- Leeman Brothers
- 2008 SENSEX Drop by 10000

DIVIDEND: Return from Shares

LONG TERM CAPITAL GAIN: If you hold on to a stock for A whole year or more than a year, the gain on that stock is called LTCG and tax on that gain is 0%.

INTEREST: Return from fixed deposit.

- DIFFERENCE BETWEEN DIVIDEND AND INTEREST:

INTEREST	DIVIDEND
• Investments in Fixed Deposits and Debentures.	• Investments in Shares
• Secure	• May or may not be secure
• Promised returns continues till the FD matures irrespective of the market	• The Corporate can choose to give or not to give dividend
• Interest Rate changes	• Dividend depends on market price
• Taxable and depends on your income	• Tax free but is subject to limits

Q. WHAT LIMIT? AFTER HOW MUCH LIMIT YOU HAVE TO PAY TAX FOR DIVIDEND?

ANS. INR 10 LAKH ABOUVE THAT 10% TAX

- FACE VALUE: The face value is the price of the share originally bought by the promoters of the company. The face value of the share is decided by the promoters
- FACE VALUE HAS TO BE MINIMUM OF ‘1’ AND MULTIPLES OF ‘1’.
- PROMOTERS: the group of people who starts the company (MULTIPLE PROMOTERS ARE POSSIBLE).

SHARE CERTIFICATE: The certificate of the share issued by the company or broker to the shareholder.

AS OF APRIL 2019, ALL THE SHARES HAVE BEEN DEMATERIALISED.

DEMAT: Dematerialisation

ANNUAL REPORT: A Company has to state in this report that how many shares are still in physical format.

- TOPLINE: Turnover
- BOTTOMLINE: Profit after paying tax (generally).

The bottom line of a company depends on the control over expenses.

BEFORE INVESTING IN A STOCK NOT ONLY YOU NEED TO STUDY ITS FINANCIAL PAST BUT ALSO PREDICT AND DISCUSS THE FUTURE OF ITS SHARE.

- STOCK SPLIT: Company revises the face value of the company and splits the stocks so that more small investors should invest.

FACE VALUE IS DIRECTLY PROPORTION TO NUMBER OF SHARES AND INVERSLEY PROPORTIONAL TO MARKET PRICE.

EXAMPLE:

DAY 1	FACE VALUE = 2	NO. OF SHARES = 5
	VALUE = 100	MARKET VALUE = 20
DAY 2	FACE VALUE = 1	NO. OF SHARES = 10
	VALUE = 100	MARKET VALUE = 10

BUYING A SHARE AFTER SPLIT IS A CLEVER MOVE

LECTURE 2: BASICS OF STOCK MARKET

- www.moneycontrol.com

LATEST TRADE PRICE (LTP): The price at which the share was closed at any time.

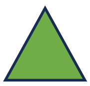
IT DOES NTO MATTER IF IT'S THE SAME STOCK, ITS PRICE MAY VARY ON BSE AND NSE.

REASON: DEMAND AND SUPPLY

- UNCH: UNCHANGED

PRE-OPENING MARKET SESSION: [09:00am – 09:15am] It is placed to absorb heavy fluctuations in the market order can be placed in this session.

AFTER MARKET HOURS: [04:00pm – 09:00pm] Order can be placed in this session but gets executed at 09:00am on the very next day



GAP UP OPENING

GAP DOWN OPENING

VOLUME: NUMBER OF SHARES TRADED DURING THE DAY

CORPORATE ACTIONS:

There are corporate actions such as Bonus, Stock Split, Rights, Merger, Dividends and Warrant that impact the price of equity share.

These actions can be divided into two categories STOCK BENEFITS AND CASH BENEFITS.

BONUS RATIO: IF THE RATIO IS 1:2 THEN THE BONUS MEANS YOU GET 1 SHARE PER 2 SHARE HELD

KEEP AN EYE ON THE ANNOUNCEMENT DATE OF BONUS

RECORD DATE: The date at which the shares start trading at revised price

MARKET STRUCTURE AND PARTICIPANTS

- STOCK EXCHANGE
- ISSUERS
- REGULATORS
- FINANCIAL INTERMEDIARIES
- INVESTORS

Note: Refer Varsity by Dhairyasen Deshmukh for this topic's brief knowledge

INVESTOR CATEGORY:

- RII: Retail Individual Investors (applies for shares <= 2 lakh)
- HNI: High Net Worth Individuals (applies for shares >= 2lakh)
- DII: Domestic Institutional Investor
- FII/FPI: Foreign Portfolio Investor

STOCK EXCHANGE HAS THE REGISTER OF MEMBERS (LIST OF BUYERS AND SHARES) AND FORWARDS THIS LISTS TO DEPOSITARY AND FORWARDS IT TO THE COMPANY WHICH THEN GIVES DIVIDEND TO THE INVESTORS.

5% IS THE THRESHHOLD FOR BUYING SHARES OF A COMPANY. AT OR AFTER 5% THRESHHOLD THE INVESTOR HAS TO GIVE A MANDATORY DISCLOSURE TO THE COMPANY OR THEY WILL VIOLATE THE ACT OF SEBI AND FACE PENALTIES ACCORDINGLY.

CONTRACT NOTE:

A contract note in the stock market is a crucial document that serves as evidence of a trade or transaction between a broker and a client. It contains essential information about the trade, facilitating transparency and legal compliance. Here's everything you need to know about a contract note:

Purpose: The primary purpose of a contract note is to provide a detailed record of a stock market transaction. It ensures that both the broker and the client have a clear understanding of the trade's terms and conditions.

Contents: A typical contract note includes the following information:

a. Trade Date: The date on which the transaction took place.

b. Unique Transaction Number: A unique identifier assigned to each contract note for tracking and reference purposes.

c. Client Details: Information about the client, including their name, address, and unique client identification number.

d. Broker Details: Information about the broker or brokerage firm involved in the trade.

e. Order Details: This section provides specifics about the trade, such as the security's name, symbol, quantity bought/sold, and the price at which the trade was executed.

f. Transaction Type: Indicates whether the transaction was a buy or sell order.

g. Total Amount: The total value of the transaction, which is calculated by multiplying the quantity by the price.

h. Brokerage Charges: The fees or commission charged by the broker for executing the trade.

i. Taxes and Duties: Any applicable taxes, stamp duty, or other government charges related to the transaction.

j. Net Amount: The final amount payable or receivable after deducting brokerage charges, taxes, and duties.

k. Payment Details: Information about the settlement of the transaction, including the due date and mode of payment.

l. Additional Information: Any other relevant details or remarks related to the trade.

Legal Requirement: Contract notes are a legal requirement in many stock markets to ensure transparency and accountability in stock trading. They help in resolving disputes and serve as evidence in case of regulatory inquiries.

Delivery: Contract notes are typically delivered to clients within 24 hours of the trade's execution. They can be sent electronically or in physical form, depending on the client's preference and regulatory requirements.

Record Keeping: Both the broker and the client are required to maintain copies of contract notes for a specified period, usually several years, as mandated by the regulatory authorities.

Verification: Clients should carefully review the contract note to ensure that the details match their instructions and expectations. Any discrepancies should be promptly reported to the broker for resolution.

Importance: Contract notes are crucial for tracking investment activities, calculating tax liabilities, and maintaining a clear audit trail of stock market transactions.

In summary, a contract note in the stock market is a legally required document that provides a comprehensive record of a trade between a broker and a client. It includes important details about the transaction, ensures transparency, and plays a significant role in regulatory compliance and dispute resolution. Clients should carefully review and retain contract notes for their financial records and tax purposes.

LECTURE 3: INVESTMENT AND STRATEGY 2021

- ITS NOT IMPORTANT THAT HOW MUCH MONEY YOU INVEST IN THE MARKET BUT FOR HOW MUCH TIME YOU INVEST IT FOR. COMPUNDING IS THE BEST WAY TO GAIN CAPITAL FROM THE MARKET.
- FOCUSING ON THE GROWTH OF YOUR SINGLE STOCK OR SHARE, FOCUS ON GROWTH OF YOUR OVERALL PORTFOLIO BY DIVERSIFYING YOUR INVESTMENT
- SENSEX IS THE PORTFOLIO OF THE TOP COMPANIES LISTED ON THE STOCK MARKET OF THE INDIA
- WHEN INVESTING STOP TRYING TO THINK OF YOUR CAPITAL GROWTH AS DIGITS AND RATHER COUNT THEM AS PERCENTAGE
- MAIN GOAL FOR LONG TERM TRADING SHOULD BE TO BE DECIPLINED AND CONSISTENT IN THE INVESTMENT AFTER FIXED INTERVAL OF TIME REGARDLESS OF THE POSITION OF THE STOCK MARKET.
- BOOKS:
- Rich Dad Poor Dad
- Learn to Earn Peter Lynch

LECTURE 4: INVESTING STRATEGIES 2021

- THINK OF STOCK INVESTMENT AS AN INVESTMENT OF YOUR FAITH AND CONFIDENCE IN THE COMPANY AND ITS FUTURE AND BEING PART OF ITS % RATHER THAN JUST BUYING AND SELLING OF SHARES.
- WHICH STOCK SHOULD I BUY? AT WHAT PRICE SHOULD I BUY? HOW MANY SHOULD I BUY? HOW LONG SHOULD I HOLD IT?
- IF YOU WANT TO BE GOOD AT THIS YOU HAVE TO SPEND A LOT OF TIME IN IT
- SMALL CASE: CONNECTED TO ZERODA AND MANAGED BY EXPERT FUNDMANAGERS {ALL WHEATER INVESTING}
- COMPOUNDING IS SLOW AND STEADY AND ENTIREY DEPENDS UPON THE ANNUAL PERCENTAGE OF RETURNS OVER A LONG PERIOD OF TIME
- THE MAGNITUDE OF RETURNS IS NOT VERY LARGE UNTIL LONG PERIOD OF TIME
- MOST OF THE COMPOUNDING THOGHTS AND PREDICTIONS ARE THEORETICAL AND IN PRACTIAL THE EXPERIENCE OF COMPOUNDING IS VERY DIFFERENT

LECTURE 5: THINGS TO KNOW BEFORE INVESTING

1. WHAT IS THE PURPOSE OR GOAL OF YOUR FINANCIAL INVESTMENT (SHORT TERM, LONG TERM, HEALTH INSUARANCE, EDUCATION)?
2. CAN I DO THIS CONSISTANTLY OVER A LONG PERIOD OF TIME?
3. IS MY INVESTMENT GOAL GOING TO REACH IN THE TIME FRAME I AIM TO ACHIEVE IT?
4. WHAT WILL BE MY INFALTION ADJUSTED RETURNS?
5. WHAT WILL BE MY TAX ADJUSTED RETURNS?
6. DO I UNDERSTAND WHERE AND WHY I AM INVESTING?
7. WHAT ARE THE RISKS INVOLVED?
8. DOES THIS RISK GETS REDUCED AFTER A LONG PERIOD OF TIME?
9. A I REASONABLE WITH THE RISK? WILL IT HELP ME SLEEP BETTER AT NIGHT?
10. WHEN WILL I SELL MY INVESTMENT? (AFTER REACHING A CERTAIN CAPITAL GOAL OR REACHING A CERTAIN INVESTMENT TIME OR AFTER A STOP LOSS)
11. WHAT IS THE COST OF THE INVESTMENT