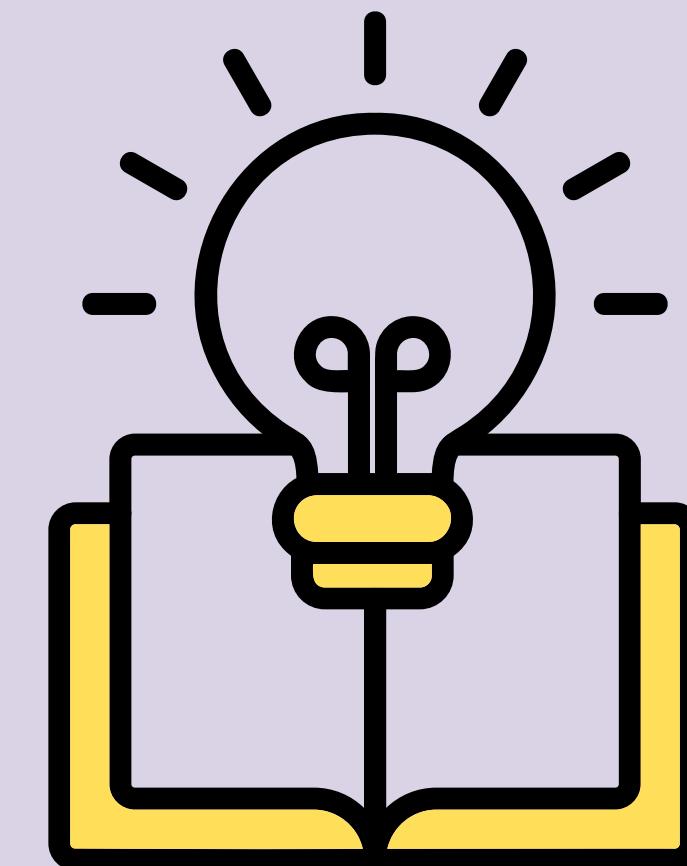


B

Understanding Beta

Beta is a number that shows how much a stock's price moves compared to the market. For example, if Reliance stock has a beta of 1, it moves the same as the Nifty 50 index; if the index rises 10%, Reliance rises about 10%.



Types of Beta



Market Beta

Shows how a stock's price moves compared to the market, like the Nifty 50.
Example: If Reliance has a market beta of 1, it rises 10% when Nifty 50 rises 10%.

Levered Beta

Measures a stock's risk, including the company's debt, which increases market sensitivity.
Example: Reliance's levered beta of 1.2 means it rises 12% if Nifty 50 rises 10%.

Unlevered Beta

Shows a stock's risk without debt, focusing only on its business operations.
Example: Reliance's unlevered beta of 0.8 means it rises 8% when Nifty 50 rises 10%.

Portfolio Beta

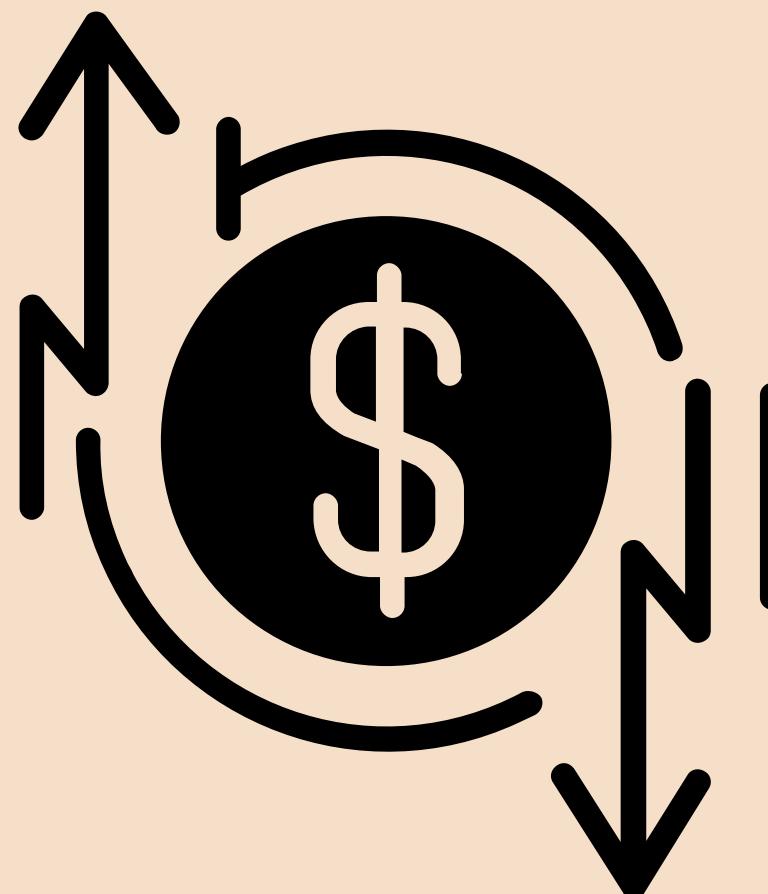
Measures the combined risk of all stocks in a portfolio compared to the market.
Example: A portfolio with Reliance and others has a beta of 0.9, rising 9% if Nifty rises 10%.

Asset Beta

Reflects the risk of a company's assets, adjusted for debt and tax effects.
Example: Reliance's asset beta of 0.7 means its business rises 7% when Nifty rises 10%.

Calculating Beta

$$\beta = \frac{\text{Covariance (Stock Returns, Market Returns)}}{\text{Variance (Market Returns)}}.$$



Steps:

1. Find how stock and market returns move together (covariance)
2. Divide by how much market returns vary (variance)

Example:

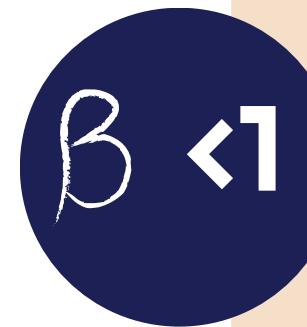
If covariance = 0.015 and market variance = 0.01,
 $\beta = 0.015 \div 0.01 = 1.5$

BETA INTERPRETATION

Key Points :

Beta shows how a stock's price moves compared to the market, like the Nifty 50, to measure its risk level.

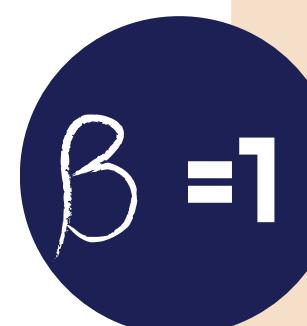
Use for Report: Helps assess how volatile a stock is compared to the market, guiding your investment analysis.



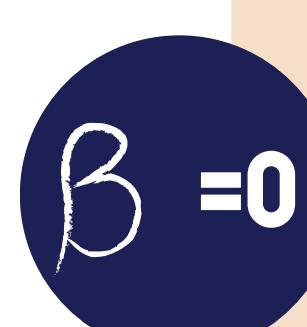
Stock is safer, moves less than the market (market up 10%, stock up 8%).



Stock is riskier, moves more than the market (market up 10%, stock up 12%).



Stock moves exactly like the market (market up 10%, stock up 10%); normal risk.



Rare: stock doesn't move with the market (0) or moves opposite (e.g., market up 10%, stock down 5% for -0.5).

Thank you

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