

STOCK MARKET THEORIES BY APURV ANAND

Get ready to dive into the fascinating world of stock market theories observed and articulated by me.

All the views are for educational purposes. I am not a SEBI registered and would advise you to contact your financial consultant. Stock market is a risky proposition and a very risky place which can result in losses. I am sharing theories that have helped me make some money over the decade. The information can be no assurance that future results or events will be consistent with this information. Any decision or action taken by the recipient based on this information shall be solely and entirely at the risk of the recipient.

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Theory 1 → Book Value Theory

As per BVT, a sound fundamental stock, which $P/B < 1$, will eventually cover and become $= 1$. This means as low P/B it is, as better for you to get returns. It is important to know that rarely good stocks will be below book value. So discretion is important. **Don't fall for penny/operator driven stocks.**

Important rules

→ Book Value Theory doesn't follow time frame patterns. So you can get your desired % in a month or it can even take years. So follow as per your risk appetite.

→ Book Value Theory may never happen, as well. At the time of writing this content, the success rate has been $>90\%$

Sharing an example. I shared **Union Bank** in June'23 and it reached the book value in Nov, fetching us 65%.



Bonus Note →

Recent successful BVT stocks -> Tourism Financial Corp, Bajaj Hindustan Sugar, NAVA

Awaiting BVT stocks -> CESC, GSFC

Theory 2 → Gap Fill Theory

As per Gap Fill Theory, for a sound fundamental stock, a weekly gap will eventually be filled. Gap Theory is valid for both upside (making money upside) and downside (waiting for right price to enter and thereby saving money). As per Gap Fill Theory, you can potentially wait patiently to enter and exit at the right price. It is important to know that some very good stocks may never fill the gap because multiple bullish/bearish news have surrounded them. So discretion is important. Never fall for penny/operator driven stocks.

Important rules

→ Gap Fill Theory doesn't follow time frame patterns. So you can get your desired % in a month or it can even take years. So follow as per your risk appetite.

→ Gap Fill Theory may never happen, as well. At the time of writing this content, the success rate has been >80%

→ Gap Fill Theory only works in **Weekly Time Frame**. Please do not overthink it with any other Time frames. Else success rates will drop down drastically,

Sharing an example. I shared **Divis Labs** in Aug'22 and requested not to add at around 4000. Instead I waited till it filled the Gap of 2800 in Feb 23, first saving me 30% by not buying at premium and then helped me get 30% on upside.



Bonus Note → Can Gap Fill theory come to TCS? Check chart



Theory 3 → Buy Back Theory

As per Buy Back Theory, for a sound fundamental stock, if and when a company announces a tender route Buy Back, post buy back is completed, 95%+ times, the stock reaches the Buy Back price. BBT is valid for both scenarios → whether you held a stock before it announced in BB or after the announcement. It is important to understand that BBT doesn't work on open market buyback. As per BBT, you can follow another ninja technique I do → I tender shares to participate in the Buy Back and as soon as the money is credited, I buy back the equivalent shares from the open market and then wait patiently to exit at the Buy Back announced price. Additional super-tip → usually stock does much more post it surpasses the BB price.

Important Rules

It is important to know *that not all stocks achieve the BB price* because of 2 prominent reason-

- The Buy Back was announced to artificially inflate stock price and trick algo/traders to perceive it as a fresh breakout.
- Promoters do BB to **ONLY** save taxes. Ideally buyback should reflect promoters confidence and insights in open market that they feel the value of stock is below their fair analysis of the stock and thus they are willing to pay a premium to get more shares without diluting EPS.

In stock market, discretion is important. Never fall for penny/operator driven stock.

eClerx Services Buyback 2022 Detail

Issue Period	February 3, 2023 - February 16, 2023
Security Name	eClerx Services Limited
Issue Type	Tender Offer
Issue Size (Shares)	1,714,285.00
Issue Size (Amount)	₹300.00 Crores
Buyback Price	₹1750 per share
Face Value	₹10 per share
Listing At	BSE, NSE



Quick Heal Technologies Buyback 2022 Detail

Issue Period	October 4, 2022 - October 18, 2022
Security Name	Quick Heal Technologies Limited
Issue Type	Tender Offer
Issue Size (Shares)	5,000,000.00
Issue Size (Amount)	₹150.00 Crores
Buyback Price	₹300 per share
Face Value	₹10 per share
Listing At	BSE, NSE



Bonus Note →

Past successful trades as per BBT → KSCL, Goldiam, Welspun, Triveni Engineering, Larsen Turbo

Upcoming BBT trades I have taken → GNFC, KRBL, Piramal Enterprises

Theory 4 → Phased Theory

Probably one of my best practical theory that extremely applicable for swing trading is my Phased Theory that contains **Greed/FOMO/Fear**, basically making it an instrument to become a professional trader. When you take out emotions from the market, your setup will consistently reward you.

As per Phased Theory, underpins the **Support and Resistance**, for a fundamentally strong, you can enter any stock in phased manner (which takes care of your FOMO and better average) and exit in phased manner (to ensure you haven't booked early, and at the same time didn't book too late). Phase Theory helps you become less worried about market ups and downs. *Phased Theory feels like a bad idea during a mega bull run, but once you are in stock market for over half-a-decade, you'd realize how great Law of Averaging works in stock market.* Phased Entries are best friends during a market bear where no one really knows when it can reverse.

All my Swing Trades are done in conjunction with **Phased Theory**. One of the most important criteria for Swing Trading is to be ruthlessly strict with phased entries and exits. I use Good Till Trigger (GTT) feature of Zerodha for my Phased Theories,

Important Rules

- Phased Entries and Exits have some strict % capital investment. As per my view, never invest more than 5-6% of capital per stock.
 - Entry 1 and Exit 1 should be 3%
 - Entry 2 and Exit 2 should be 1%
 - Entry 3 and Exit 3 should be 1%
 - Entry 4 and Exit 4 should be 1%
 - When targets start hitting, At Exit 1, move SL to your cost, At Exit 2, move SL to E1... so on and so forth.
- Trade with GTT to ensure you never miss entries and exits
- Learn how to use Support and Resistance to gauge best entry and exit points.
- It is extremely important to resist buying stocks at live market. Put GTT, it will automatically buy and sell as per your pre-decided levels.

Here's an example by sharing Motilal Oswal Financial Services share that I entered as per Phased Entries and Exits.

Phased Entry average → 700 (50% at E1, 30% at E2, and 20% at E3)

Phased Exit average → 910 (40% at E1, 30% at E2, 15% at E3, 15% at E4)

Entry 1 (Sep 23, 2022), Exit Last (13 Nov, 2023) – Net 30% in 14 months



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<catching another aache stock at its bura time>

Make fresh entry in [#MotilalOswal](#) at cmp 748
Add more at 690 and 590.

Hold patiently for 850-902-945-1015

Can show 1200+

10:02 AM · Sep 23, 2022



Bonus Note →

Phased Exits and Entries can also be applicable in Long Term shares as well.

- For Long term, start trimming 5-10% for every x (2x, 3x, 5x, 10x, 20x, more)
- Phased Entries can also be applicable for entering at above levels using these theories.

Theory 5 → IPO Theory

As per IPO Theory, for a fundamentally strong recently listed IPO stock, one can trade in the recently listed IPO as per a setup. IPT is important because as always, any newly listed stock will have insufficient data and thus price action (PA) will be invalid. IPT can still be misleading and misguided as this setup is cracked by a lot of other financial analysts and enthusiasts, like me, which means an operator can also use it against us. Good news, my past trades as per **IPT** has **>90% success rate**.

In IPT there are two prominent TFs to trade. Daily TF and Weekly TF. In subsequent charts, I will explain both. The underlining principle is similar → Once the stock closes above listing day/week price of the stock, the stock can go up almost the % it has gone down. The stop loss in this case will be

the low of the stock on listing day/week. In following pointers, I am sharing some key information that you'd need to check before jumping the gun with IPT.

Important Rules

- If trading as per IPT as per Daily Time Frame (DTF), one should wait for at least 15-20 candles (which means 15-20 daily closes).
- How to trade → enter when stock closes weekly/daily above
- IPT is still new, and fresh. So trade with cautious, keep quantities light, and SL strict.
- Enter only if the stock closes above weekly/daily high of the opening day/week candle and the daily/weekly low of the stock will be your SL (closing basis)
- How to calculate % returns →
 - a. Target 1 → Opening high - Opening Low % based on Daily/Weekly TF
 - b. Target 2 → Next support for the stock below IPO listing day/week to % breakout
 - c. Target 3 → Support 2-3, similar to Target 2
 - d. Last Target → Lowest price of the stock - IPO's high weekly/day for % upside
- Since it's still a less tested and trusted theory, to predict net time to get return can't be predicted.
- The more the stock remains below IPO listing week, the higher the chance of a blast as per IPT

Here's my best example of Galaxy Surfactant.



Bonus Note →

- Find many successful IPT stories by using search bar on twitter with #IPOTHEORY @Apurv_Anand.
- In stock market, discretion is important. Never fall for penny/operator driven stock.
- IPT only works for stocks that aren't extremely overvalued which means they may never go beyond their IPO price, especially when they were extremely greedily priced, leaving extremely less probability to do much higher (ex → PayTM, Nykaa, many more)
- Practice it → start with paper trading, then with small capital and then once you build confidence, invest your desired capital.