BEWARE YOU'RE BECOMING POOR !

SAVE YOURSELF, MAKE A SMART MOVE TODAY

-A COMPREHNSIVE GUIDE TO INVEST IN INDIAN STOCK MARKET

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Introduction

Welcome to "Beware you're becoming poor ! - A comprehensive guide to invest in the Indian stock market", your resource to understand the every aspects of financial education and investment opportunities in India. This ebook is designed to provide you with valuable knowledge about various investment options, insights into the Indian stock market, and visually engaging graphics to enhance your learning experience.

In today's dynamic and ever-changing financial landscape, it is crucial to make informed decisions when it comes to managing your hard-earned money. Whether you are a beginner exploring investment avenues or an experienced investor seeking to diversify your portfolio, this ebook will serve as a valuable companion on your journey towards financial success.

Throughout this ebook, we will delve into various investment options, including equity investments, debt investments, mutual funds, real estate, fixed deposits, gold, and government securities. With each investment type, we will explore their characteristics, benefits, and potential risks, providing you with a comprehensive understanding of each option.

Introduction

Additionally, we will take an in-depth look at the Indian stock market, which serves as a significant platform for wealth creation and investment growth. Through visually engaging graphics, charts, and diagrams, we will unravel the historical background of the Indian stock market, introduce you to key stock exchanges in India, and explain market indices that gauge the market's performance. You will also gain insights into the process of investing in the Indian stock market, including opening demat and trading accounts, analyzing stocks using fundamental analysis.

Let's dive in and unlock the secrets of financial investments in India, empowering you to create a secure and prosperous financial future!

Note: This Ebook provides general information and educational content about financial investments. It is always recommended to consult with a financial advisor or professional before making any investment decisions.

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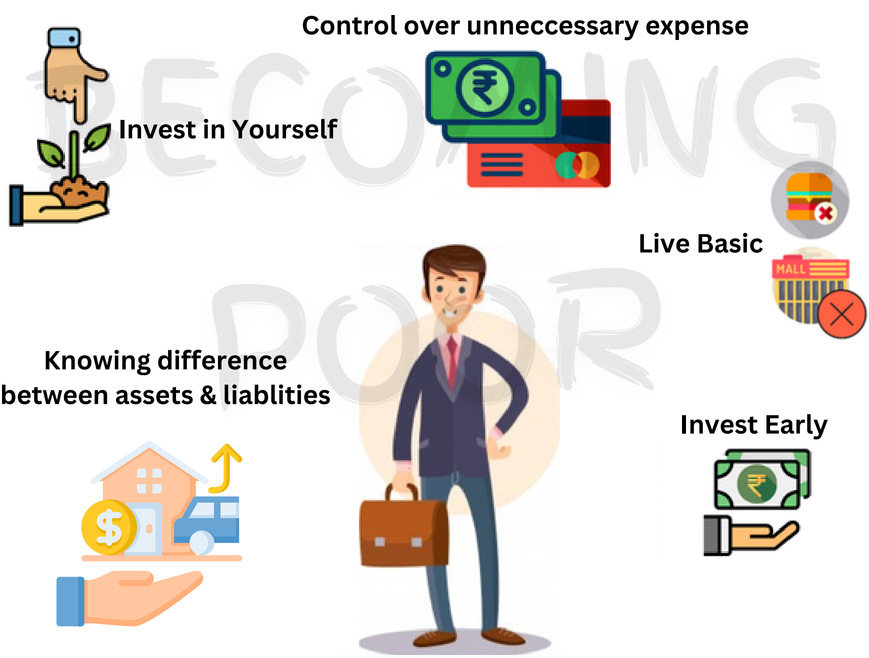
Why We are becoming Poor ?

There are various reasons why we are becoming poor -

- Not having access to Financial Education (Inflation, Assets & Liablities, Budgetting, etc), Indian Education System only teaches students how to get good grades. This may helps us to grow in Future, but Financial Literacy is most important.
- Many of us are becoming poor by keeping the savings in Locker as we never heard the term '*Inflation*'

Example - Suppose you are a employee in a Company with a Salary of 5 Lakh Per Annum means 40,000/month. If you dont know how to manage the Income, even 10 Lakh Per Annum will also become less for you Until & Unlesss you have Financial Literacy, You know budgetting & Financial Planning.

Some Financial Lessons to learn in your Twenties(20s) -



What is Inflation ?

Inflation is the rate of increase in prices over a given period of time. **Inflation** is typically a broad measure, such as the overall increase in prices or the increase in the cost of living in a country.

Ex-Showroom Price of Toyota Fortuner

THEN

Rs 18.45 Lakh
(in 2009)

NOW

Rs 35 Lakh
(in 2023)

E.g. Let's assume There are two friends one lives in India and second one lives in Dubai

INDIA

Salary 50,000/-
Hike in Salary (10%)
Inflation (12%)

- Increase in Expenses due to hike in Salary
- Feels happy due to 10% salary hike but don't know about the Inflation 12% which is loss making.

DUBAI

Salary 50,000/-
Hike in Salary(✕)
Inflation(✕)

- low expense due to low hike in salary
- He is not happy due to no hike in salary but will have no loss due to no inflation and will save more.

**If you need 2 lakh/year
(assuming 12 % inflation)**

Year	Needs
1	2,00,000
2	2,24,000
3	2,50,880
4	2,80,985
5	3,14,704
6	3,52,468
7	3,94,763

**After 6 years your needs will be almost doubled
It means, If we save our money for future we are loosing it
because Inflation is a slow poison**

Inflation depends on CPI (Consumer Price Index)

A **Consumer Price Index** is a price index, the price of a weighted average market basket of consumer goods and services purchased by households. Changes in measured CPI track changes in prices over time.

- Take a look over Inflation Data -

Year	Inflation Rate(%)	Annual Change(%)
2021	5.13	-1.49
2020	6.62	2.89
2019	3.73	-0.21
2018	3.94	0.61
2017	3.33	-1.62
2016	4.95	0.04
2015	4.91	-1.76
2014	6.67	-3.35
2013	10.02	0.54
2012	9.48	0.57
2011	8.91	-3.08
2010	11.99	1.11
2009	10.88	2.53
2008	8.35	1.98
2007	6.37	0.58
2006	5.80	1.55
2005	4.25	0.48
2004	3.77	-0.04
2003	3.81	-0.49
2002	4.30	0.52
2001	3.78	-0.23
2000	4.01	-0.66
1999	4.67	-8.56
1998	13.23	6.07

How to overcome Inflation ?

(Start Investing)

Investing can intimidate a lot of people because there are many options, and it can be hard to figure out which investments are right for your portfolio.

There are different types of Investment -

Some of these investments are riskier as compared with others. Before investing in different types of investment avenues, it is imperative for investors to know their financial goals and assess risk appetite.

Develop a strategy, outlining how much to invest, how often to invest, and what to invest in based on goals and preferences. Before allocating your resources, research the target investment to make sure it aligns with your strategy and has the potential to deliver desired results.

Fixed Deposits (FD)

The most common type of investment vehicle in India is Bank Fixed Deposits (FDs). It offers fixed interest rate on your principal amount. Almost all scheduled banks in India offer this investment option. You can visit a branch of the bank or use net banking to open a FD account.

With guaranteed fixed returns and flexible maturity periods, fixed deposit is the most sought after investment avenue. An investor makes a lump-sum deposit and earns interest at a rate which is greater than that of a savings account.

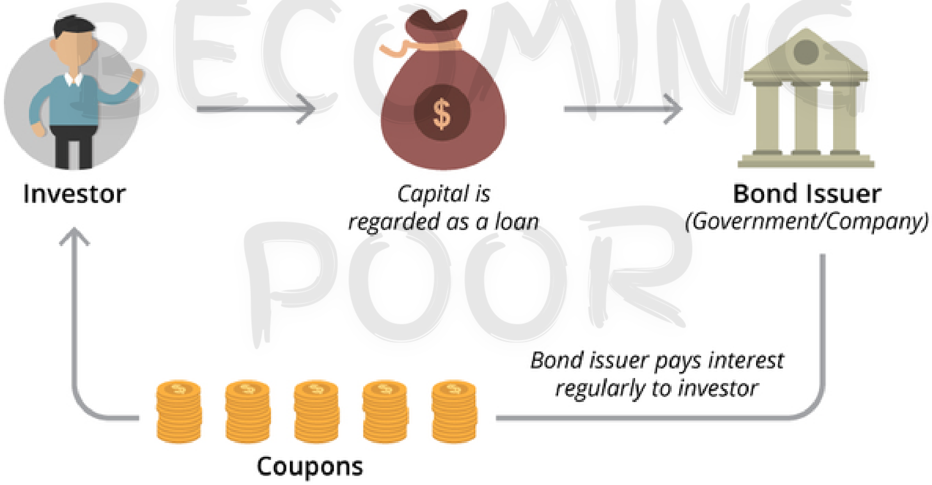
This lump-sum deposit plus interest accrued is withdrawn at maturity. Different banks offer fixed deposits investments with different maturities. In case of emergencies, an investor can also withdraw his/her money before the maturity ends, by paying a small amount of penalty. This penalty amount also differs from bank to bank.

Bonds

Bonds is another fixed-income instrument which yields returns at a fixed rate of interest. In essence, it is a loan which an investor lends to the issuer of the bonds. For better understanding, These are used by governments or companies to raise money by borrowing from investors. Bonds are typically issued to raise funds for specific projects. In return, the bond issuer promises to pay back the investment, with interest, over a certain period of time.

There are 5 main types of Bonds-

- **Treasury**
- **Savings**
- **Agency**
- **Municipal**
- **Corporate**



Bonds are another low-risk investment option as the chances of the issuer party to default on payments are minimal.

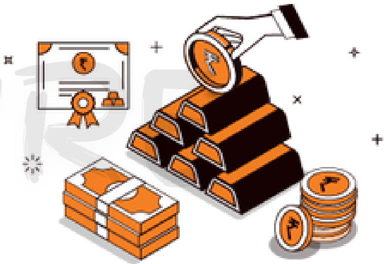
Gold

Gold is a commodity whose price fluctuation over the years has made it the most reliable investment vehicle. There has been a steady rise in the price of gold in the last decade or two. It is considered a low-risk investment when viewed from a long-term perspective.

Though there are times when markets see a fall in the prices of gold but usually it doesn't last for long and always makes a strong upturn. Gold hasn't delivered significant returns like equity investments in recent times, it does give a stable growth over a period of time. Gold has, on an average, provided annual returns of 9.6% over the past 40 years.

There are various ways to invest in Gold -

- Physical Gold
- Gold ETFs
- Gold Mutual funds
- E-Gold
- Sovereign Gold Bonds



- ## Why investing in SGB is the perfect option ?

Sovereign Gold Bonds are the perfect option if you want to invest in Gold. SGB is a bond offered by RBI on behalf of GOVERNMENT OF INDIA as a substitute of holding physical gold or as an option to invest in Gold.

It is the only Gold investment option in which you get Gold market returns plus a fixed 2.5% interest per annum.

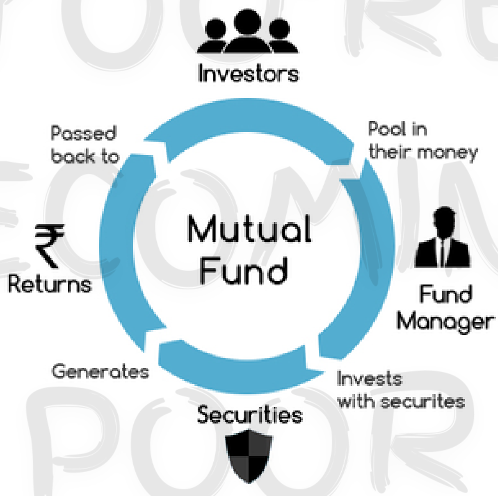
- You can invest in SGBs through Online banking or Demat brokers.
- It ha no making charges unlike in Physical Gold.
- No GST on buying SGB.
- Can be used as collateral for loans.
- Tax exempted on SGB redemption. If redeemed after 8 years.
- Secure, since you hold SGBs in Demat Form.
- Guaranteed by Govt. of India, can give higher returns in long term.

Mutual Funds

Mutual fund investment is one of the best investment options available in the market right now. Mutual Funds pool in resources from multiple investors and invests in various financial instruments including equities, debt securities, venture capital etc.

It is an apt investment option for those investors who don’t have the required financial knowledge and sufficient time to study the market. Investors can leverage the knowledge of professional and experienced fund managers to earn significant returns from mutual fund investment.

Investors who don’t have enough money for lump-sum investment, can also opt for Systematic Investment Plan (SIP) which involves regular payment in a mutual fund. This amount can be as low as ₹500.

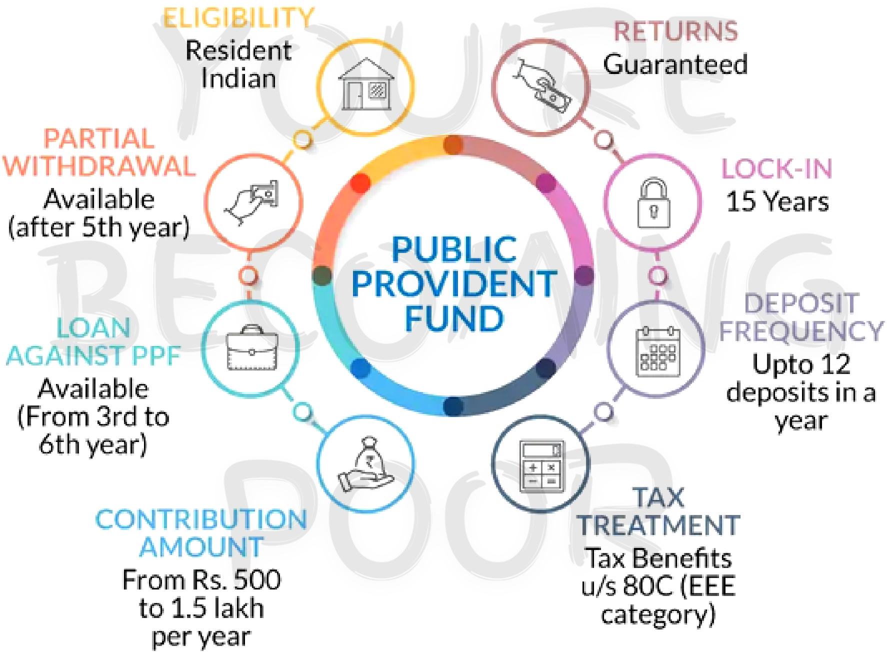


- Mutual funds give small or individual investors access to diversified, professionally managed portfolios.
- Mutual funds are divided into several kinds of categories, representing the kinds of securities they invest in, their investment objectives, and the type of returns they seek.
- Mutual funds charge annual fees, expense ratios, or commissions, which may affect their overall returns.

Public Provident Fund

Public Provident Fund is another fixed income savings scheme started by Government of India. Under this scheme, the interest on your principal investment is paid by the government. Since the PPF scheme comes under the Exempt-Exempt-Exempt (EEE) category of tax policy, the principal amount, the maturity amount, as well as the interest earned is exempt from taxes.

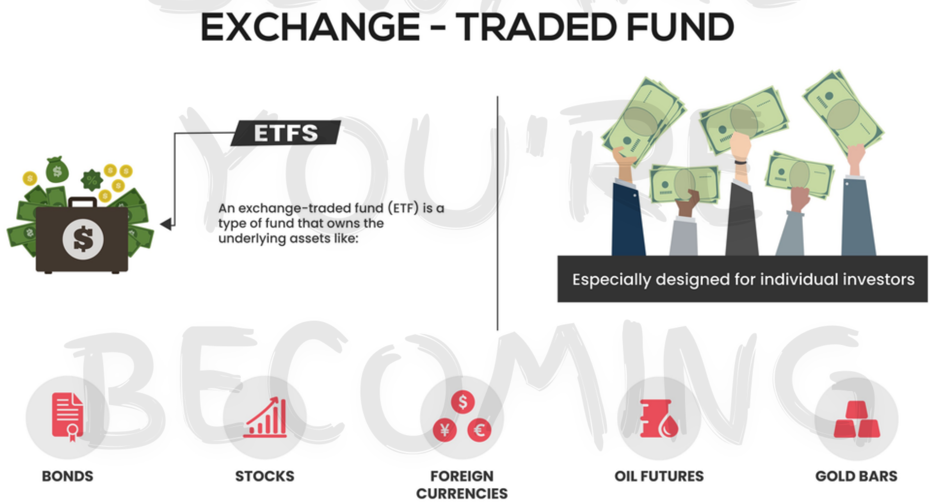
Facilities such as withdrawal and extension of maturity are available in a PPF account. You can also avail loan backed by your PPF account. Typically, a PPF account has a maturity period of 15 years which can be extended further.



PPF account also has tax benefits, Investment upto ₹1,50,000 is tax deductible and interest earned on this amount is also tax-free. This is the USP of PPF account which has attracted numerous investors throughout its lifetime.

Exchange-Traded Funds(ETFs)

Exchange-Traded Funds are passively managed funds which invest pooled funds in diversified securities taking an index fund as a benchmark. It is a marketable security which can be traded on stock exchanges across the country.
The risk associated with ETFs depends on the type of underlying index. If it is a mid-cap index, then it carries moderate risk. Also, compared to mutual funds, ETFs have a relatively lower asset management fee.
These funds are highly liquid as they can be traded on stock exchanges as per the wishes of the investor.



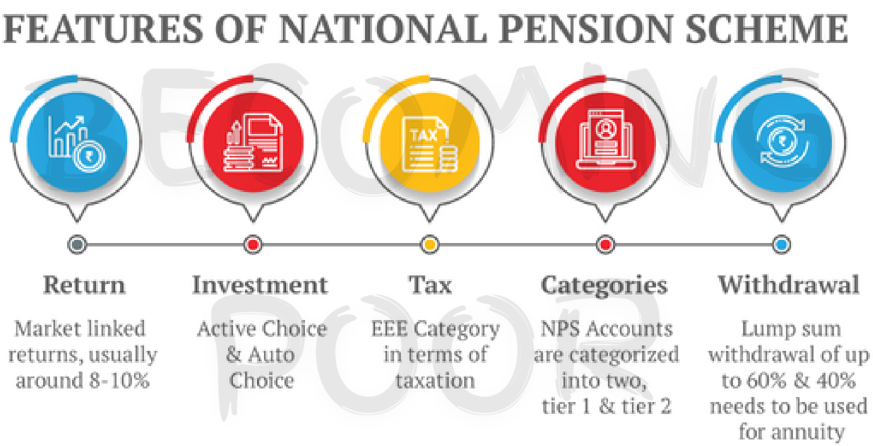
- **An exchange-traded fund (ETF) is a basket of securities that trades on an exchange just like a stock does.**
- **ETF share prices fluctuate all day as the ETF is bought and sold; this is different from mutual funds, which only trade once a day after the market closes.**
- **ETFs can contain all types of investments, including stocks, commodities, or bonds, foreign currencies & Gold.**
- **ETFs offer low expense ratios and fewer broker commissions than buying the stocks individually.**

National Pension Scheme (NPS)

The National Pension System (NPS), earlier known as the New Pension Scheme, is a pension system open to all citizens of India. The NPS invests the contributions of its subscribers into various market-linked instruments such as equities and debts and the final pension amount depends on the performance of these investments. It has an applicable interest rate of 9% to 12% on contributions made.

Any Indian citizen in the age group of 18-60 can open an NPS account. NPS is administered and regulated by the Pension Fund Regulatory Authority of India (PFRDA). The NPS matures at the age of 60 but can be extended until the age of 70.

This saving scheme is especially designed for building retirement corpus. Regular investment throughout your working life is withdrawn partially at retirement and the remaining amount is disbursed as regular pension.



Partial withdrawals up to 25% of your contributions can be made from the NPS after three years of account opening but for specific purposes like home buying, children's education, or serious illness.

You can claim tax deduction upto Rs. 50,000/- u/s 80CCD (1B) .

Real Estate

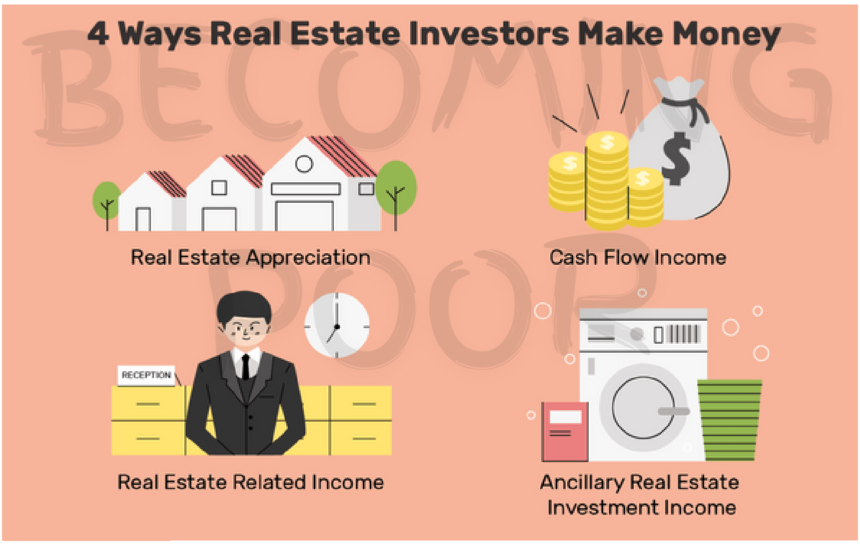
Real Estate Investment refers to any investment made in physical properties such as land, buildings, shops, etc. It involves purchase, ownership and management of the real estate property.

An individual can earn from real estate in two ways. One way is to buy a property and then sell it at a higher price after few years. Another way to generate income on your real estate is to put it up on rent.

An investor should carefully analyse some key factors such as size and locality of the investment property as these factors play a significant role in price appreciation of Real Estate.

What are the 4 types of Real Estate ?

- **Land.**
- **Residential.**
- **Commercial.**
- **Industrial.**



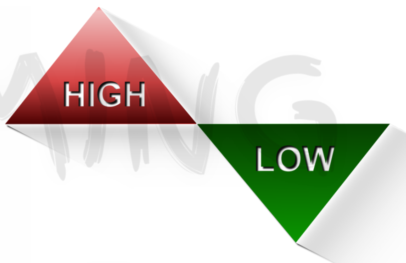
Real Estate has the potential to deliver very high returns in the long run. It can provide a steady cash flow and enjoys several tax benefits.

Stocks

Stocks refer to equity investment made in any company. When you buy stocks of a company, you are in essence taking partial ownership of that specific company.

An individual need to have in-depth knowledge of financial markets to actually benefit from investment in equities. Since returns from this investment are wholly dependent on market fluctuations, it is considered the riskiest investment option compared to other alternatives.

To invest in stocks, you need to have a demat account which can be opened online or through a broker. Trading of stocks takes place on various stock exchanges where an investor can buy and sell shares as per their profit-maximising strategy.



After hearing Stocks We think about the people who made losses in Stock Market by picking Penny Stocks & by this the Stock Market is defamed but who invest with proper Fundamental Analysis never looses his money,He gets Multibagger Returns in Long Term.

Portfolio should be well-diversified for safe & consistent returns.

Why to Invest in Stocks ?

let's assume you earn you earn 25,000/monthly & your needs are fulfilled in 20,000 , Now you have 5,000 left.
If we think about investment with the remaining amount 5,000 commonly 4 options come in our mind -

- Real Estate
- Gold
- Fixed Deposit
- Stocks

As the Investment amount is less and You do not need a lot of money to Invest in Gold & Silver or buying Real Estate and paying a monthly mortgage. we skip the two options Real Estate & Gold and in the remaining two options, most of us think Investing Stocks is Risky & deposit the amount in Bank Account as Fixed Deposit and the Bank gives you annual interest of 5% but sometimes the inflation rate is above 5%. It means we are loosing our money without knowing and by the Year-on-Year basis even 25,000 won't be sufficient to fulfill our needs.


Nowadays investing in FD doesn't make a sense as we can get maximum 6% returns annually but, Investing in Stock Market with proper knowledge an Investor can get 3-4% returns monthly which means 35-40% annually.

40% annual return Sounds Great ! but, You need to have your basics clear. Unless you do....you will be wasting your time and loosing money. You need to be crystal clear of each and every aspect of Investments, Intraday Trading, Swing Trading, Long Term Investing, Types of Stocks, ETFs, SENSEX, NIFTY 50, IPO, Futures & Options.

When to Start Investing in Stocks?

- The sooner one starts investing the better. By investing early you allow your investments more time to grow, increases your income, by accumulating the principal and the interest or dividend earned on it, year after year.

- The three golden rules for all investors are:
  1. Invest early
  2. Invest regularly
  3. Invest for long term and not short term

- **Example**

START INVESTING EARLY

TO TAKE BENIFITS OF COMPOUNDING

RAMESH

Entry Age : 20 Years
Invests : Rs.2,000/Month
Stopped Investing : 30 Years
Invested Period : 120 Months
Returns : 10% Per Annum
Maturity Age : 60 Years
Maturity : Rs.81,27,183
Growth : 33.9 x

SURESH

Entry Age : 30 Years
Invests : Rs.2,000/Month
Stopped Investing : 60 Years
Invested Period : 360 Months
Returns : 10% Per Annum
Maturity Age : 60 Years
Maturity : Rs.45,20,976
Growth : 6.3 x

How to invest in Stocks ?

One of the easiest ways to invest in stocks is to open an online brokerage account(Demat Account) and buy stocks or stock funds. If you're not comfortable with that, you can work with a professional to manage your portfolio, often for a reasonable fee. Either way, you can invest in stocks online and begin with little money with a online broker.

An online broker allows you to buy stock and many other kinds of investments, including bonds, exchange-traded funds (ETFs), mutual funds, future & options and more. The best brokers offer no-fee commissions on stocks as well as a ton of education and research at no additional cost, so you can power up your game quickly.

Steps to open a Demat Account -

- Open a Demat and trading account with a Online Broker using your linked Bank Account.
- PAN Card is mandatory for opening a Demat Account
- Sign Up into the Demat account with proper guidance
- Study the Stock Market.
- Select the Stocks that you wish to buy or sell.
- Ensure that you have the Added sufficient amount of funds in your trading account from the linked bank account to buy the selected shares.

Investing in Indian Stock Market

There are separate markets where you can Buy or Sell stocks. The stocks are issued and traded in the stock market, where the investors can exchange the ownership documents. There are mainly two such markets in India, the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE).
Each stock exchange needs to have an Index to measure the performance of the market. Sensex is the Index for BSE, and Nifty is the Index for NSE.

The stock market business hours in India run from 9.15 a.m. to 3.30 p.m. There are a few days in the country when the stock market is shut, they are known as market holidays. A few examples of market holidays are Holi, Eid, Independence Day, Republic Day etc.

✓ Indian Stock Market
in every 10 Years

YEAR	SENSEX
1990	700
2000	5,000
2010	20,000
2020	45,000
2030	?

Investing Rs.100 per day in
(NIFTY 50/SENSEX)
Index Fund (15-16% CAGR)

After 10 Years	-	8,47,223
After 20 Years	-	46,43,043
After 30 Years	-	2,16,49,489
After 40 Years	-	9,78,43,611
After 50 Years	-	43,92,16,776
After 60 Years	-	1,96,86,73,779

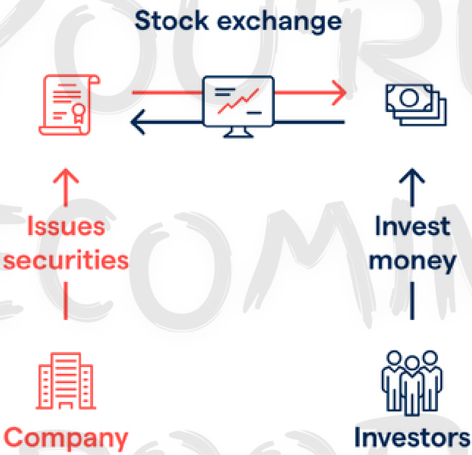
Always keep a long term view in stock market

How does a company lists its Stocks ?

Another important aspect of Stock Market basics is Initial Public Offering (IPO). The first time a company offers its shares to the public, it is called an IPO. Securities and Exchange Board of India (SEBI), our markets regulator, has laid out a few rules and regulations for a company to list its IPO on the Stock Exchanges which they have to comply with before being eligible for listing.

What is SEBI ?

Securities and Exchange Board of India (SEBI) is the securities market regulator to oversee any fraudulent transactions and activities made by any of the parties: companies, investors, traders, brokers and the likes.



What are Stock Exchanges and how many exchanges are there in India ?

Stock Exchanges is a place or platform where traders and buyers come together to buy and sell stocks. There are two primary stock exchanges in the country: Bombay Stock Exchange (BSE) and National Stock Exchange (NSE). This is extremely important information to know about stock market in India.

What is an IPO ?

An **initial public offering (IPO)** is when a company issues common stock or shares to the public for the first time. It is a process where a privately held company becomes a publicly traded company with initial sale of it's stock. through the IPO, the company gets it's name listed on the stock exchange

Why does Company offers IPO ?

- Enable cheaper access to money from public as the banks charge interest.
- Exposure, prestige and public image.
- Attracting employees by offering them shares of the company.
- Existing shareholders can buy/sell shares easily through the market.

IPO Terms

ISSUE PRICE
The price at which company offers it's shares to public.

LOT SIZE
The minimum number of shares that an investor needs to bid for.

ISSUE DATE
The range of date till which you can apply for an IPO.

OVERSUBSCRIBED
If the number of shares applied are more than the number of shares offered by the company.

UNDERSUBSCRIBED
If the number of shares applied are less than the number of shares offered by the company.

GREY MARKET
Unofficial market where people trade the unlisted stocks about to be listed. This market is not regulated by SEBI.

ALLOTMENT DATE
Shares get allotted to shareholders on this date, credited in demat account.

LISTING DATE
The date on which the shares of the IPO gets listed on the stock exchange (NSE/BSE) for the first time ever.

LISTING GAIN
If the price of a stock goes up on the first day, say (+10%) on the day of listing.

What is an Index Fund ?

An index fund is a portfolio of assets which generally includes shares in many companies, as well as bonds and other assets. This portfolio is well diversified and this diversified nature of an index fund generally means that its performance has far fewer peaks and valleys.

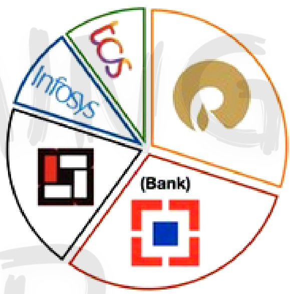
Like all fund-based products, an index fund holds a large number of different assets in its overall portfolio. Instead of investing in just one stock, as you will with a stock, you are investing in dozens (if not hundreds) of stocks.

This means that even if one company loses value, there's usually another company to make up that performance. Of course, if one company posts huge gains, those returns will be watered down by the rest of the portfolio as a whole.

How does an Index Fund work ?

Let us pretend there is an Index Fund made up of :

COMPANIES	INDUSTRY	WEIGHTAGE
RELIANCE IND	Oil & Gas (Core)	30%
HDFC Bank	Bank	30%
HDFC	Housing Finance	20%
INFOSYS	IT	10%
TCS	IT	10%



In one trading day, let us assume share value of companies :

↓ ₹80 | tcs ↑ ₹120 | ↓ ₹40
↑ ₹100 | Infosys ↑ ₹50

The Index Fund will return :

[30% x - ₹80] + [30% x ₹100] + [20% x - ₹40] + [10% x ₹50] + [10% x ₹120]

₹15 Gain

NIFTY 50 & SENSEX

All companies who want to get listed approach either NSE, BSE or both. All stock exchanges need equity benchmarks to signify the trend in the stock market in the best way possible.
Both BSE and NSE have 100s and 1000s of companies listed on them. But if you have to pick the top 30 stocks, or look at what the bottom 100 are doing, it will be difficult for you to siphon through this huge number of companies listed. What indices like Nifty and Sensex do is to group them together.

- The NIFTY 50 is a diversified 50 stocks index accounting for 13 sectors of the economy. It is used for a variety of purposes such as benchmarking fund portfolios, index based derivatives and index funds. It is a benchmark index on the NSE (National Stock Exchange) in India for large firms.

- The term SENSEX refers to the benchmark index of the BSE (Bombay Stock Exchange) in India. The Sensex is comprised of 30 of the largest and most actively traded stocks on the BSE and provides a gauge of India's economy. It is float-adjusted and market capitalization-weighted. SENSEX is the most preffered index.

There is also BSE500, Nifty Midcap, BSE Smallcap and many more such indices. However, Nifty 50 and Sensex are primary benchmarks.
There are sectoral indices as well; Nifty Pharma, BankNifty, Nifty PSU and many such sectoral indices that group the top stocks in each sector which helps us to understand how the sector is doing.

Types of Stocks

- ## Blue-Chip Stocks
  - *Stable stock with Excellent Reputation.*
  - *High Liquidity/Low Volatility.*
  - *e.g. Nestle, Reliance Industries, etc.*

- ## Penny Stocks
  - *Available at very low price.*
  - *Low Liquidity/High Volatility.*
  - *e.g. Suzlon Energy, Vi, GTL Infra, etc.*

- ## Growth Stocks
  - *Rapid growth in Earning & Revenue.*
  - *e.g. EKI Energy, Deepak Nitrite, etc.*

- ## Cyclical Stocks
  - *Dependent on Economy's performance.*
  - *e.g. Hindalco, Tata Steel, etc.*

- ## Dividend Stocks
  - *pays good amount of Dividends Regularly from the Earnings.*
  - *e.g. NALCO, Coal India, etc.*

- ## Defensive Stocks
  - *Safe Stocks, doest fall much in Bear Market.*
  - *e.g. ITC, Manali Petrochem, etc.*

An Investor shared this -

Bought 1,000 ITC shares inn 2004. The share price was Rs. 1,000 means he did Rs. 10 lakh investment. After split & bonus has become 45,000 shares (in 2020). He earned 4.5 lakh in year 2020 alone.

- **dividend in 2020 - Rs. 10.25/share**
- **this example shows the power of dividends.**
- **this share also showed the growth of 15-16% CAGR**

45,000*Rs.400=Rs.1.8 Cr(as on May, 2023)

Number of Shares	
Shares Then	1000
10:1 Split	9000
1:2 Bonus	5000
1:1 Bonus	15000
1:2 Bonus	15000
Shares Now	45000

Analyzing Stocks

Stock analysis is the evaluation of a particular trading instrument, an investment sector, or the market as a whole. Stock analysts attempt to determine the future activity of an instrument, sector, or market. We can analyse stocks on Tickertape which provides data, information & content for Indian stocks, mutual funds, ETFs & indices.

Stock analysis is a method for investors and traders to make buying and selling decisions. By studying and evaluating past and current data, investors and traders attempt to gain an edge in the markets by making informed decisions.

Stock analysis involves comparing a company's Market cap, Dividends, Bonus & Split, current financial statement to its financial statements in previous years to give an investor a sense of whether the company is growing, stable, or deteriorating. The financial statement of a company can also be compared to that of one or more other companies within the same industry.

Stock analysis concentrates on data from sources, including economic reports, company assets, and market share. To conduct fundamental analysis on a public company or sector, investors and analysts typically analyze the metrics on a company's financial statements.

When running stock analysis on a company's financial statements, an analyst will usually be checking for the measure of a company's profitability, liquidity, solvency, efficiency, growth trajectory, and leverage. Different ratios can be used to determine how healthy a company is.

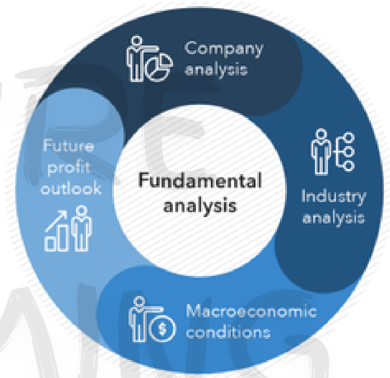
Mindset of Investor

The stock market is intriguing for many investors with amazing new opportunities every day. doing proper groundwork, identifying the right stock that has potential for growth over the period of time and keeping the desire to succeed is mostly required to score high in the stock market. This coupled with patience and discipline: such factors are important to develop an investor mindset.

- The investor should stay invested for a long period of time for the returns to compound.
- The speed at which the money doubles increases drastically the more time you stay invested. This is one of the properties of compounding.
- Every investment has to be evaluated on two aspects – qualitative & quantitative.
- Qualitative aspects revolve around the non-numeric information related to the company.
- The quantitative aspects involve analyzing numeric data. The financial statements are an important source of finding quantitative data.

Introduction to Fundamental Analysis

Fundamental Analysis (FA) is a holistic approach to study a business. When an investor wishes to invest in a business for the long term, it becomes essential to understand the business from various perspectives. It is critical for an investor to separate the daily short term noise in the stock prices and concentrate on the underlying business performance. Over the long term, a fundamentally strong company's stock prices tend to appreciate, thereby creating wealth for its investors.



We have many such examples in the Indian market. To name a few, one can think of companies such as Infosys Limited, TCS Limited, Page Industries, Eicher Motors, Bosch India, Nestle India, TTK Prestige, etc. Each of these companies has delivered an average over 20% compounded annual growth return (CAGR) year on year for over 10 years. At a 20% CAGR, the investor would double his money in roughly about 3.5 years to give you a perspective. Higher the CAGR faster is the wealth creation process. Some companies such as Bosch India Limited have delivered close to 30% CAGR. Therefore, you can imagine the magnitude and the speed at which wealth is created if one would invest in fundamentally strong companies.

What is CAGR ?

The **compound annual growth rate (CAGR)** is the **rate of return (RoR)** that would be required for an **investment** to grow from its beginning balance to its ending balance, assuming the profits were **reinvested** at the end of each period of the investment's life span.

To calculate the CAGR of an investment:

$$\text{CAGR Formula} = \left[\left(\frac{\text{Ending Value}}{\text{Beginning Value}}\right)^{\frac{1}{\text{No. of Years}}} - 1\right] \times 100\%$$

- The **compounded annual growth rate (CAGR)** is one of the most accurate ways to calculate and determine **returns** for anything that can rise or fall in value over time.
- It measures a **smoothed rate of return.**
- Investors can compare the **CAGR** of two or more alternatives to evaluate how well one stock performed against other stocks in a **peer** group or a market index.
- **CAGR** is thus a **good** way to evaluate how different investments have performed over time, or against a benchmark.
- The **CAGR** does not, however, reflect **investment risk**.

Market Cap Classification of Stocks

Market capitalization is a quick and easy method for estimating a company's value by extrapolating what the market thinks it is worth for publicly traded companies.

There are almost 5,000 Companies listed in Indian Stock Market
Their Market Cap is classified as-

- Large Cap
- Mid Cap
- Small Cap

One company's share price may be Rs500. Another company's share price may be Rs1000. This does not mean the second company is twice as large as the first company. Always remember to factor in the number of shares issued (and thereby analyze the company's total market cap) when analyzing Stocks.

Dividends & Dividend Yield of a Stock

Dividends are the part of Profits

e.g. In Year 2019
Company XYZ earned Profit of 150 Cr.
Company announced Dividend of Rs.5/Share
If you have 1000 Shares then
You'll get 1000 Shares * Rs. 5 = Rs.5000

How to get Dividends ?

- Dividends are paid quarterly or annually.
- Company can give dividend X times
- Record Date

This is the date in which your name should be there in the shareholders' list. Dividend paying companies announces the Record Date publically, If your name is not there in the Record Date list, You'll not get the Dividend ✕.

- Ex-Dividend Date

This date is generally one day before the Record Date. If we want dividend we have to buy the shares before the Ex-Dividend Date.

Dividend Yield

- Dividend Yield is a percentage representing the ratio of a company's annual dividend compared to its share price.

$$\text{Dividend Yield(\%)} = \frac{\text{Dividend / Share}}{\text{Market Price}} \times 100\%$$

Best Dividend stocks in India

Bonus & Stock Split

• Bonus Share

1 : 1 Bonus - 1 Bonus Share for every Share held
1 : 2 Bonus - 1 Bonus Share for every 2 Share held
3 : 1 Bonus - 3 Bonus Shares for every Share held

• Effects of Bonus

- Bonus Shares Instead of Dividends
- Generally Positive Sentiment
- Increases Liquidity & Demand
- No Change in Face Value

• Stock Split

1 : 2 Split - 2 Shares for every Share held
1 : 5 Split - 5 Shares for every Share held

• Effects of Stock Split

- makes the share price affordable
- Generally Positive Sentiment
- Increases Liquidity and Demand
- Change in Face Value (e.g. 1 : 5 Split - 10=2)

• Reverse Stock Split

50 : 1 Reverse Split - 1 Share for every 50 Share held

• Effects of Reverse Split

- Penny Stocks to Reasonable Stock Price
- shows Negative Sentiment

After the Bonus/Split the Stock Price and their Quantity is adjusted
(There is no change in Amount Invested)

e.g. 3 : 1 Bonus

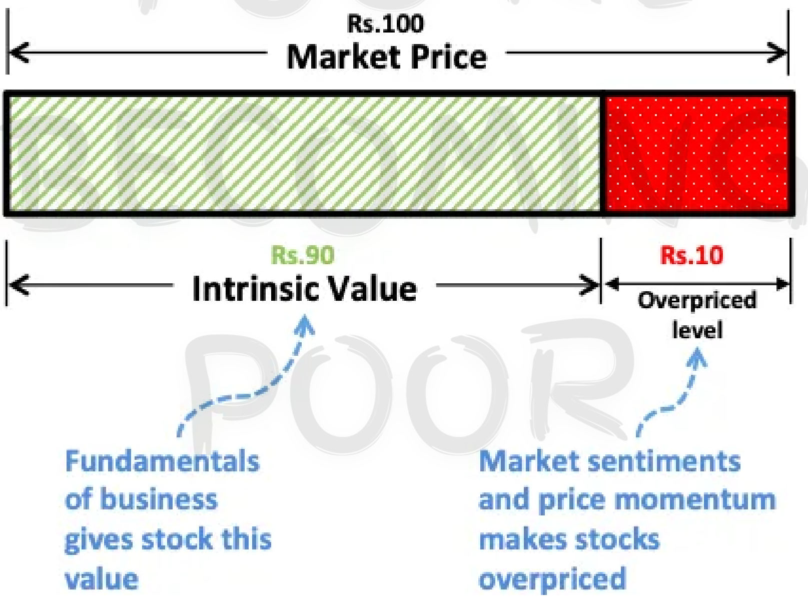
	No. of Shares	*Stock Price*		*Amount Invested*
Before	100	300	=	30,000
After	300	100	=	30,000

Intrinsic Value

Intrinsic value is a measure of what a Stock is worth. This measure is arrived at by means of an objective calculation or complex financial model. Intrinsic value is different from the current market price of a Stock. However, comparing it to that current price can give investors an idea of whether the asset is undervalued or overvalued.

Financial analysis uses cash flow to determine the intrinsic, or underlying, value of a company or stock. In options pricing, intrinsic value is the difference between the strike price of the option and the current market price of the underlying.

Intrinsic value is also called the real value and may or may not be the same as the current market value. It is also referred to as the price a rational investor is willing to pay for an investment, given its level of risk.



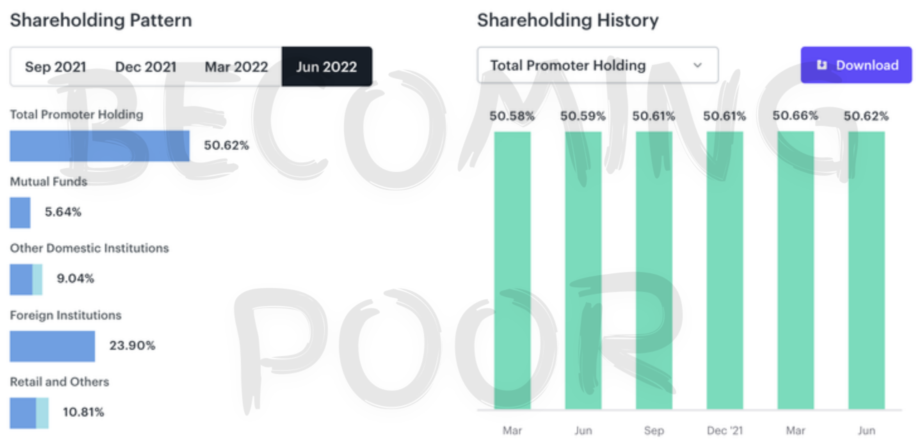
Intrinsic value is a core concept that value investors use to uncover hidden investment opportunities.

Shareholding Pattern

A shareholding pattern refers to an official disclosure requirement of companies, whereby the namesake document details about its ownership pattern, comprising of both promoters and non-promoters.

mainly the shareholding pattern comprises of -

- **Total Promoter Holding:** % of shares held by promoters of the company, some of it might be pledged (Indicated in yellow)
- **Mutual Fund Holdings:** Shares held by mutual fund companies (AMCs)
- **Other Domestic Institutional Holding:** This includes shares held by all domestic institutions except Mutual Funds. Insurance firms are significant DIIs; their shareholding is represented separately within this bar. Others include trusts, Indian VCs, etc.
- **Foreign Institutional Holding:** This indicates the % of shares held by foreign investors. For example, Foreign Banks, Hedge funds, etc.
- **Retail and Other Parties:** Contains shares held by retail investors and other remaining % shares, mostly in NSDL transit, etc.



- **Companies disclose their shareholding records every quarter. This pattern can be vital for investors to assimilate their investment decisions.**
- **Promoters's stake in total shareholding is a critical indicator of company's confidence and reliablity.**

Promoter Holding

Promoter shareholding is the percentage of shares owned by the company's promoters. The promoters are the company's founders, who hold a majority stake in the company's capital.

An increase in promoter holding is read positively by investors. For them this increase is akin to putting money where one's mouth is. All prominent shareholders, including promoters, have a vested interested in speaking well about their company and its future prospects.

In contrast to an increase in promoter holding, a decrease sends a negative signal to investors. It indicates that the promoters themselves do not have much faith in the future prospects of the company or do not have a sound strategy to grow the business or tackle competition.

What does low promoter holding mean?

While at first glance a low promoter holding is generally considered negative, a lot of other factors needs to be considered before you completely ditch that stock. A stock that has low promoter holding but very high DII and FII holding is a good sign. a stock with low but increasing promoter holding is also considered good. If you want to dig deeper then try to understand the reason behind low promoter holding. Sometimes you might find the next multibagger in these stocks.

A lot of frontline stocks have low promoter holding. For example Axis Bank, M&M, Indusind Bank etc. a good example is HDFC or Larsen and Toubro. Both have 0% promoter holding. BUT very high FII and DII holdings.

Promoter Holding Pledged

Apart from Promoter holding another important number to note would be share pledging. Share pledging often goes unnoticed in the first place but there are multiple reasons why high pledged shares can be negative in the long run. In essence, it means promoters take a bank loan, offering shares in a company as collateral.

When a company needs funds for regular operations or expansion, it has several options to choose from like raising equity capital, issuing corporate bonds, approaching a bank for a loan, etc. To avail of the loan, the company needs to provide some collateral to the lenders. Usually, financial institutions and banks ask companies to offer promoters' shares as collateral for the loan. This is pledging of promoter's shares.

Factors affected by Share Pledging -

- Higher volatility in Stock Prices
- Skewed Management Decisions
- Possible Loss of Control of the Company
- Possible Value Trap for Value Investors

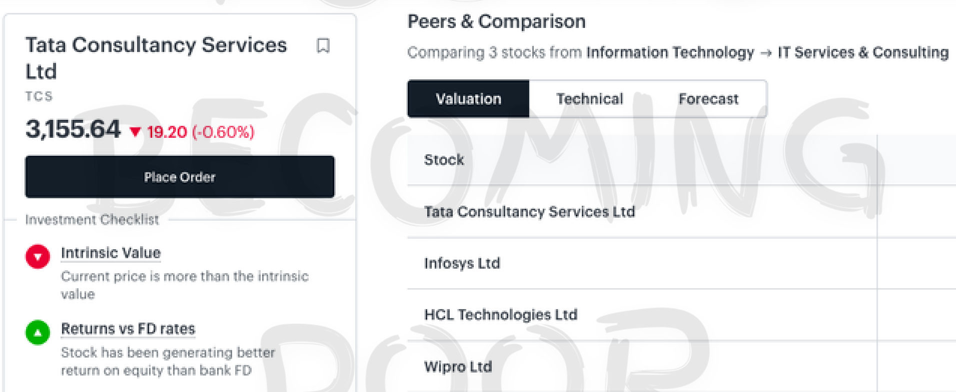
If a company has a high promoter holding, then pledging promoter's shares is a common practice. You take a home loan to buy a house or a car loan to buy a car, right? There is nothing bad about it but it is an indication that you do not have funds to purchase them upright and are willing to pay interest to avail of a loan for the purchase. Similarly, if a company has pledged the promoter's shares, then it is an indication that it might be in troubled waters (financially).

Peers and comaprison

What are peers and why should an investor compare against them?

A stock's peers are the organisation's direct competitors who are operating within the same sector. Because companies in a peer share mutual business interests(industry, size, market share), it has been proven efficient to compare and analyse the trends among peers in a particular group.

It provides an in-depth comparison between the ratios of Valuation, Technical and forecast analysis. Along with this, users can now opt to compare the various stocks under the chosen sector and have an exclusive screener built using any one of the three parameters.



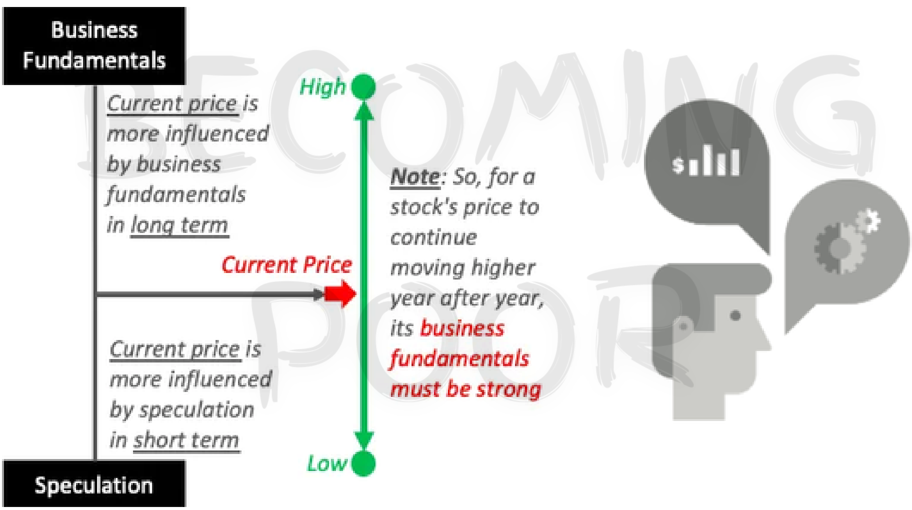
In the Above Image, Stock valuation of Tata Consultancy Services is compared against its peers in the Information Technology sector.

The peers of a stock are other stocks that belong to the same sub-sector. For example, for MRF Ltd, the peer comparison is done with other stocks(Apollo Tyres Ltd, CEAT Ltd, etc) in the Tires & Rubber sub-sector under Consumer Discretionary.

Stock Price vs Business Fundamentals

When we take up a company for research, the first step is to understand the business as much as possible. People often miss this crucial step and go directly into the stock price analysis. Well, just analyzing the stock price is great if you have a short term perspective. However, for long term investments, understanding the business is essential.

Why is it important you may wonder? Well, the reason is simple: the more you know the company, the higher is your conviction to stay put with the investment, especially during bad times (aka bear markets). Remember, during bear markets, the prices react and not the business fundamentals. Understanding the company and its business well gives you the required conviction to reason why it makes sense to stay invested in the stock even though the market may think otherwise. They say bear markets creates value, so if you have a high conviction on the company, you should consider buying into the stock during bear markets and not really selling the stock. Needless to say, this is highly counter-intuitive, and it takes years of investment practice to internalize this fact.



Anyway, moving ahead the best source to get information related to the business is the company's website and its annual report. We need to study at least the last 5-year annual report to understand how it is evolving across business cycles.

The MOAT

After selecting a stock, one has to run the checklist to investigate the stock further. This is called "Investment due diligence". The due diligence process is critical, and one has to ensure maximum attention is paid to every aspect of this exercise. I will shortly present a checklist that I think is reasonable. But before that, we need to talk about 'The Moat'.

Moat (or economic moat) is a term that was popularized by Warren Buffet. The term refers to the company's competitive advantage (over its competitors). A company with a strong moat, ensures the company's long term profits are safeguarded. Of course, the company should not only have a moat, but it should also be sustainable over a long period of time. A company that possesses wider moat characteristics (such as better brand name, pricing power, and better market share) would be more sustainable. It would be difficult for the company's rivals to eat away its market share.

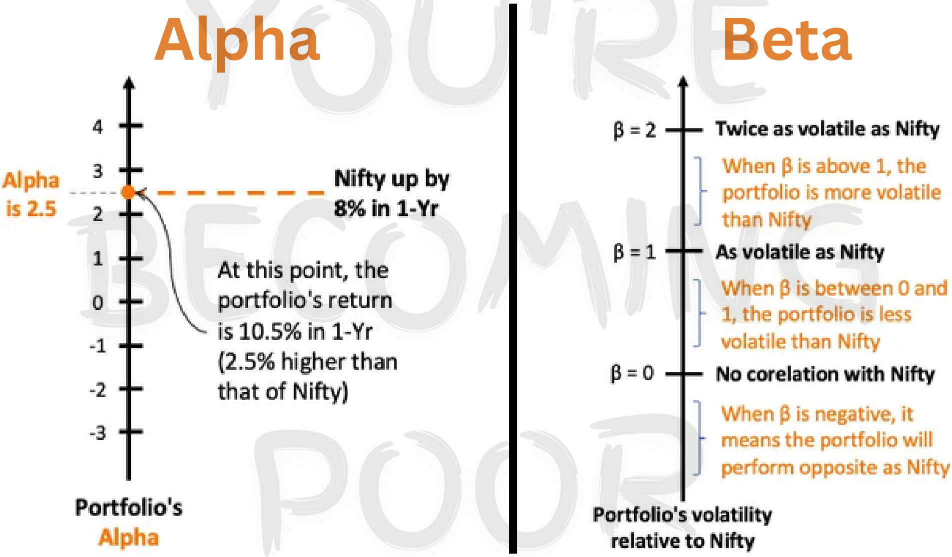
To understand moats, think of "Eicher Motors Limited".

- Eicher Motors is a major Indian automobile manufacturer.
- It manufactures commercial vehicles along with the iconic Royal Enfield bikes.
- The Royal Enfield bikes enjoy a huge fan following both in India and outside India. It has a massive brand recall. Royal Enfield caters to a niche segment which is growing fast.
- Their bikes are not as expensive as the Harley Davidson nor are they as inexpensive as the TVS bikes.
- It would be tough for any company to enter this space and shake up or rattle the brand loyalty that Royal Enfield enjoys.
- In other words, displacing Eicher Motors from this sweet spot will require massive efforts from its competitors.
- This is one of Eicher Motors' moat.

Fundamental Metrics (Alpha & Beta)

Alpha is a way to measure excess return, while Beta is used to measure the volatility, or risk, of an asset. Beta might also be referred to as the return you can earn by passively owning the market. You can't earn alpha by investing in a benchmark index fund.

- Alpha shows how well (or badly) a stock has performed in comparison to a benchmark index.
- Beta indicates how volatile a stock's price has been in comparison to the market as a whole.
- A high alpha is always good.
- A high beta may be preferred by an investor in growth stocks but shunned by investors who seek steady returns and lower risk.



- Alpha is often expressed as a positive or a negative number. When an Alpha is said to be 2.5, the portfolio has outperformed its benchmark by 2.5%.
- The Beta quantifies the volatility of an investment portfolio. But it is not an absolute number. It is expressed relative to the market's index.

Reading Annual Reports

The annual report (AR) is a yearly publication by the company and is sent to the shareholders and other interested parties. The annual report is published by the end of the Financial Year, and all the data made available in the annual report is dated to 31st March. The AR is usually available on the company's website (in the investor's section) as a PDF document.

- The Annual Report (AR) of a company is an official communication from the company to its investors and other stakeholders.
- The Annual Report is the best source to get information about the company; hence AR should be the default choice for the investor to source company-related information.
- The Annual Report contains many sections, with each section highlighting a certain aspect of the business.
- The Annual Report is also the best source to get information related to the qualitative aspects of the company.
- The management discussion and analysis is one of the most important sections in the AR. It has the management's perspective on the country's overall economy, their outlook on the industry they operate in for the year gone by (what went right and what went wrong).
- The AR contains three financial statements – Profit & Loss Statement, Balance Sheet, and Cash Flow statement.

P/L Statement

Profit and loss (P&L) statement refers to a financial statement that summarizes the revenues, costs, and expenses incurred during a specified period, usually a quarter or fiscal year. These records provide information about a company's ability or inability to generate profit by increasing revenue, reducing costs, or both. P&L statements are often presented on a cash or accrual basis. Company managers and investors use P&L statements to analyze the financial health of a company.

The P&L statement reports information on:

1. **The revenue of the company for the given period (yearly or quarterly)**
2. **The expenses incurred to generate the revenues**
3. **Tax and depreciation**
4. **The earnings per share number**

- **The profit and loss statement gives the profitability of the company for the year under consideration.**
- **The P&L statement is an estimate, as the company can revise the numbers at a later point. Also, by default, companies publish data for the current year and the previous year, side by side.**
- **The revenue side of the P&L is also called the top line of the company.**
- **Revenue from operations is the main source of revenue for the company.**
- **Other operating income includes revenue incidental to the business.**
- **The other income includes revenue from non-operating sources.**

Balance Sheet

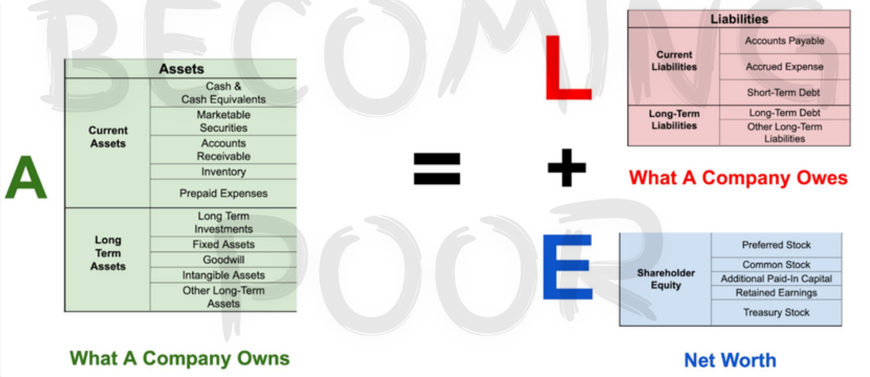
A balance sheet is a financial statement that contains details of a company's assets or liabilities at a specific point in time. It is one of the three core financial statements (income statement and cash flow statement being the other two) used for evaluating the performance of a business.

A balance sheet consists of two main headings: assets and liabilities. Let us take a detailed look at these components.

The balance sheet equation follows the accounting equation, where assets are on one side, liabilities and shareholder's equity are on the other side, and both sides balance out.

Assets = Liabilities + Shareholder's Equity

According to the equation, a company pays for what it owns (assets) by borrowing money as a service (liabilities) or taking from the shareholders or investors (equity).



A balance sheet is an important reference document for investors and stakeholders for assessing a company's financial status. This document gives detailed information about the assets and liabilities for a given time. Using these details one can understand about company's performance. By analysing balance sheet, company owners can keep their business on a good financial footing.

Cash Flow

A cash flow statement is an important tool used to manage finances by tracking the cash flow for an organization. This statement is one of the three key reports (with the income statement and the balance sheet) that help in determining a company's performance.

Companies generally aim for a positive cash flow for their business operations without which the company may have to borrow money to keep the business going.

Cash Flow From Operations		
Net Earnings		2,000,000
Additions to Cash		
Depreciations		10,000
Decrease in Accounts Receivable		15,000
Increase in Accounts Payable		15,000
Increase in Taxes Payable		2,000
Subtractions From Cash		
Increase in Inventory		(30,000)
Net Cash From Operations		2,012,000
Cash Flow From Investing		
Equipment		(500,000)
Cash Flow From Financing		
Notes Payable		10,000
Cash Flow for FY Ended 21 Dec 2017		1,522,000

A cash flow statement is a valuable document for a company, as it shows whether the business has enough liquid cash to pay its dues and invest in assets. You cannot interpret a company's performance just by looking at the cash flow statement. You may need to analyse long term trends after referring to balance sheet and income statement in order to get a somewhat clear picture of how the company is faring.

Current Ratio

The current ratio is a liquidity ratio that measures a company's ability to pay short-term obligations or those due within one year. It tells investors and analysts how a company can maximize the current assets on its balance sheet to satisfy its current debt and other payables.

A current ratio that is in line with the industry average or slightly higher is generally considered acceptable. A current ratio that is lower than the industry average may indicate a higher risk of distress or default. Similarly, if a company has a very high current ratio compared with its peer group, it indicates that management may not be using its assets efficiently.

- The current ratio compares all of a company's current assets to its current liabilities.
- These are usually defined as assets that are cash or will be turned into cash in a year or less and liabilities that will be paid in a year or less.
- The current ratio helps investors understand more about a company's ability to cover its short-term debt with its current assets and make apples-to-apples comparisons with its competitors and peers.

$$\frac{\text{CURRENT ASSETS}}{\text{CURRENT LIABILITIES}}$$

It measures short-term liquidity.

it should be greater than 1.

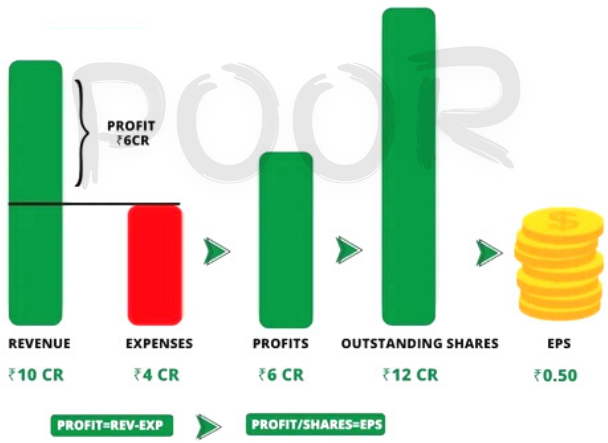
PE Ratio & EPS

What is PE Ratio ?

The price-to-earnings ratio is the ratio for valuing a company that measures its current share price relative to its earnings per share (EPS). The price-to-earnings ratio is also sometimes known as the price multiple or the earnings multiple.

What is EPS ?

Earnings per share is the monetary value of earnings per outstanding share of common stock for a company. It is a key measure of corporate profitability and is commonly used to price stocks.



Debt to Equity Ratio

What is Debt to Equity ?

The debt-to-equity ratio measures your company's total debt relative to the amount originally invested by the owners and the earnings that have been retained over time.

- Debt-to-equity (D/E) ratio compares a company’s total liabilities with its shareholder equity and can be used to assess the extent of its reliance on debt.
- D/E ratios vary by industry and are best used to compare direct competitors or to measure change in the company’s reliance on debt over time.
- Among similar companies, a higher D/E ratio suggests more risk, while a particularly low one may indicate that a business is not taking advantage of debt financing to expand.

$$\frac{\text{TOTAL LIABILITIES}}{\text{TOTAL SHAREHOLDER EQUITY}}$$

Checks how leveraged a stock is. the lower the better

It should be less than 1

D/E ratio measures how much debt a company has taken on relative to the value of its assets net of liabilities.

PEG Ratio

The **price/earnings to growth ratio (PEG ratio)** is a stock's price-to-earnings (P/E) ratio **divided** by the **growth** rate of its earnings for a specified **time period**.

The **PEG ratio** is used to determine a stock's value while also factoring in the **company's** expected earnings **growth**, and it is thought to provide a more complete picture than the more standard P/E ratio.

- The **PEG ratio** enhances the P/E ratio by adding expected earnings growth into the calculation.
- The **PEG ratio** is considered to be an indicator of a stock's true value, and similar to the P/E ratio, a lower PEG may indicate that a stock is undervalued.
- The **PEG** for a given company may **differ** significantly from one reported source to another.
- **Differences** will depend on which growth estimate is used in the calculation, such as one-year or three-year projected **growth**.
- A **PEG lower than** 1.0 is best, suggesting that a **company** is relatively undervalued.

$$\frac{\text{PRICE TO EARNINGS RATIO}}{\text{EARNINGS GROWTH RATE}}$$

measures the price to earnings ratio using growth, this ratio shows the stock is overvalued or undervalued.

It should be less than 1

Book Value & PB Ratio

What is Book Value ?

The book value of a stock is theoretically the amount of money that would be paid to shareholders if the company was liquidated and paid off all of its liabilities. As a result, the book value equals the difference between a company's total assets and total liabilities.

Book value can be a good indicator of a company's value. A book value that is low can reflect that a company's stock is undervalued.

What is PB Ratio?

The price-to-book (P/B) ratio considers how a stock is priced relative to the book value of its assets. If the P/B is under 1.0, then the market is thought to be underpricing the stock since the accounting value of its assets, if sold, would be greater than the market price of the shares.

$$\frac{\text{SHARE PRICE}}{\text{BOOK VALUE PER SHARE}}$$

Shows how much a company trades for vs it's net assets.

should be low as compared to companies in the same sector (industry P/B)

Return on Equity (ROE)

Return on equity (ROE) is a measure of financial performance calculated by dividing net income by shareholders' equity. Because shareholders' equity is equal to a company's assets minus its debt, ROE is considered the return on net assets.

- Return on equity (ROE) is the measure of a company's net income divided by its shareholders' equity.
- ROE is a gauge of a corporation's profitability and how efficiently it generates those profits.
- The higher the ROE, the better a company is at converting its equity financing into profits.
- To calculate ROE, divide net income by the value of shareholders' equity.
- ROEs will vary based on the industry or sector in which the company operates.

$$\frac{\textbf{NET INCOME}}{\textbf{SHAREHOLDER EQUITY}}$$

Measures how well a company reinvests profits

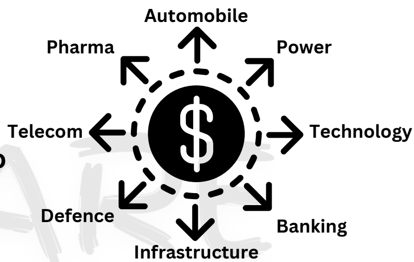
Should be greater than 20

The higher the ROE, the more efficient a company's management is at generating income and growth from its equity financing.

Best stock Portfolio

- ## Portfolio making & management

Rule 1 :- keep 8-15 Companies
Rule 2 :- Take Risk as per the age
Rule 2 :- Diversify the Sectors
Rule 3 :- SIP (Time Diversification)
Rule 4 :- You are not only buying the stock but you owning the company so scan it perfectly
Rule 5 :- Do Fundamental Analysis
Rule 6:- Compare similar stocks
e.g. Axis Bank, Yes Bank, HDFC



WHY COMPARING SIMILAR STOCKS IS IMPORTANT ?

The Banking sector is the fastest growing sector.

	2010	2022
HDFC BANK	₹195	₹1,645
AXIS BANK	₹224	₹943
YES BANK	₹51	₹24

THIS IS THE REASON WHY YOU SHOULD COMPARE EVERY RATIO EVEN IF THE STOCKS ARE FROM SAME SECTOR

INVEST AS PER YOUR AGE

20s	30s	40s	50s
Apollo, JSW Energy, adani Power, IEX, DMart, indiamart	RHAXO, Mindtree, Canara Bank, DEEPAK, Berger, infoedge	asianpaints, TATA MOTORS, TITAN, airtel, wipro, ITC Limited	Unilever, Reliance, BAJAJ FINSERV, IndianOil, tcs, HDFC BANK

Riskier ----------------> Safer

How to Find out Growth Stocks ?

The problem

- There are thousands of stocks available in the Stock Market.

But how to pick the right Growth Stocks without losing your mind ?

Just use these 4 filters !

1. Market Cap >20k cr

why ?

- larger stocks are safer and have safe track record.

e.g. Bajaj Finance : 4lakh crores

2. 5 Year Sales Growth >20%

why ?

- Higher sales growth indicates increasing demand for products.

e.g. Bajaj Finance : +26%

3. 5 Year Profit Growth >20%

why?

- High profit indicates strong margins. Profit growth ,in turn, drives share price performance.

e.g. Bajaj Finance : +31%

4. Dividend Payout <20%

why?

- If dividends are <20% of profits, that leaves more than 80% of profit with the company to reinvest in future growth!

e.g. Bajaj Finance : +17%

- We have took Bajaj Finance just as example it is not an investment advice.

How to identify Bad Stocks ?

Bad stocks or the villains to your good investments. These are, as the name implies the ones that may have poor management, excessive debts, way too much promoter pledging, declining profits, inability to generate cash, inability to manage profits, too much spending on working capital requirements and whatnot.

Identifying the best stock for yourself is so important. Although it's a long process, before jumping into analysing the financials of the company one should understand what the business is all about.

4 Major Factors to identify Bad Stocks -

1. Decline in profit

- a constant Decline in Profit indicates that the company is losing it's profitability which is a bad sign.

2. High Debt

- High debt indicates that the company is running it's business on debt and is lagging to repay it.

3. Low Promoter Holding/Pledged

- promoter holding is a very important aspect and a low promoter holding/pledged indicates that the promoter is not confident about his business.

4. Negative value of EPS

- Negative EPS indicates that company is not able/lagging to earn from it's operations.

- sometimes, low promoter holding is an exception

e.g. HDFC bank : 0% promoter holding

What is Stock Market Manipulation ?

Stock Market Manipulation is when someone artificially affects the **supply** or **demand** for a security (for example, causing stock price to **rise** or to **fall** dramatically).

PUMP & DUMP

- The "pump" occurs as the retail masses buy into the stock, By listing some fake news and therefore it results in the price and volume spiking higher. Once the regular investors are committed to the stock, the promoters sell their shares (the "dump"), causing the price to plunge.

BEAR RAIDING

- Bear Raiding is when a large player forces share prices lower by placing large sell orders. The price plunges as stops are hit, adding to the selling.

- Manipulators buy stocks in bulk to show the demand, the stock price goes high. When people start buying and the price is in peak, manipulators sell their stock and make money.
- Manipulation techniques involve spreading false information via online channels that are frequently visited by the investors.
- Manipulation is illegal in most cases, but it can be difficult for regulators and other authorities to detect and prove as many small groups buy/sell in bulk to protect themselves.
- Associated Cement Company(ACC). Harshad Mehta blindly pumped money into ACC, raising it's stock price from Rs 200/share to Rs 9,000/share in just 3 months; an increase of 4,400%.

Income Tax on Stock Market

Sources of income from Stock Market -

- Intraday Trading - Taxed as Business Income
- Investing - Taxed as Capital Gains
- Dividends - Taxed as per normal tax slab

What is Capital Gain ?

For example :
you have invested Rs 10,000 and got a return of Rs 20,000 (including invested amount)

LET'S CALCULATE CAPITAL GAIN :

INVESTED	Rs 10,000
RETURNS	Rs 20,000

CAPITAL GAIN = RETURN - INVESTED

Rs 10,000

so here Capital Gain is 10,000 lets understand how it is taxed

Types of Capital Gains ?

- SHORT TERM CAPITAL GAINS (STCG)
- LONG TERM CAPITAL GAINS (LTCG)

SHORT TERM CAPITAL GAINS (STCG)

The profit from the selling of shares that have been held for up to 12 months is referred to as a Short-Term Capital Gain on shares. The gain is considered a Long-Term Capital Gain if the shares are held for longer than a year.

Short-Term Capital Gains on shares are taxed at a greater rate than Long-Term Capital Gains.

short-term capital gain implies the profit you would receive by selling personal properties held for a maximum period of one year. These profits are not taxed as ordinary income per your personal income rate, but at a fixed rate of 15% on the profit you have made during the transaction.

If you buy a share and sell it before a period of 12 months, then the profits from the sale of shares will be called Short Term Capital Gains.

Holding Period < 12 Months=(STCG)

15% TAX ON GAINS
**** irrespective of gains***

A person on feb, 2022 purchased 100 shares of XYZ @ Rs 200/share & sold it on June, 2022 @ Rs 400/share.

Holding Period < 12 months
So, this is SHORT TERM CAPITAL GAIN (STCG).
TAX Applicable: 15% tax on Gains

SALE TOTAL - Rs 40,000
BUY COST - Rs 20,000
CAPITAL GAINS = SELL - BUY Rs 20,000
Tax Applicable = 15% of 20,000 = Rs 3,000/-

LONG TERM CAPITAL GAINS (LTCG)

long term capital gain is profit generated from sale of any qualifying investment option that has been owned by an investor for more than 12 months at the time of sale of asset. It is determined by the difference in value of sale price and purchase price of assets owned for over 12 months. This gain is, therefore, the net profit that investors enjoy while selling this asset.

If you buy a share and sell it after a period of 12 months, then the profits from the sale of shares will be called Long Term Capital Gains.

Holding Period > 12 Months=(LTCG)

Total Gains <1 lakh

TAX FREE

Total Gains >1 lakh

10% TAX ON GAINS

- **if gains are 1,10,000 then 10% tax on i.e. 10,000... as the gains exceeded 1 lakh.**

A person on feb, 2021 purchased 100 shares of XYZ @ Rs 200/share & sold it on June, 2022 @ Rs 4000/share.

Holding Period > 12 months
So, this is LONGTERM CAPITAL GAIN (LTCG).
TAX Applicable: 10% tax on Gains(for gains > 1 lakh)

SALE TOTAL - Rs 4,00,000
BUY COST - Rs 20,000
CAPITAL GAINS = SELL - BUY Rs 3,80,000
Tax is 10% of 2,80,000 = Rs 28,000/-

- **Gains till 1 lakh is tax free, so the rest 2,80,000 gain is taxable.**

Conclusion

Congratulations! You have completed "Beware you're becoming poor ! - A comprehensive guide to invest in the indian stock market" Throughout this ebook, we explored the world of financial investments, focusing on the diverse investment opportunities available in India and the intricacies of the Indian stock market. We delved into various types of investments, including equity, debt, mutual funds, real estate, fixed deposits, gold, and government securities, providing you with a holistic understanding of each option.

By understanding the Indian economy and the factors that influence investments, you have gained valuable insights into making informed investment decisions. The inclusion of graphics, charts, and tables throughout the ebook has enhanced your understanding of these complex concepts.

Additionally, we covered the essential aspects of investing in the Indian stock market, such as setting up demat and trading accounts, conducting fundamental and technical analyses, implementing trading strategies, and managing risks effectively. You are now equipped with the knowledge to navigate the stock market confidently.

Conclusion

Lastly, we acknowledged the impact of investor psychology and emotional intelligence on investment decisions. By overcoming behavioral biases and cultivating a long-term investing mindset, you can achieve financial independence and success in your investment journey.

Remember, this ebook serves as a guide, and it is always advisable to consult with a financial advisor or professional before making any investment decisions. Financial markets are dynamic, and staying informed and adaptable is key to success.

We hope this ebook has enriched your knowledge and empowered you to make informed investment choices in the Indian market. By employing the wisdom gained from these pages, you are ready to embark on a fruitful and rewarding financial journey.

Happy investing!