Complete Guide To Blue Chip Stocks

Blue Chip stocks are the stocks from large companies which are financially stable, have a national reputation, and steady growth. They are known for low risk and stable returns irrespective of the market conditions.

The term ‘Blue Chip’ is taken from the famous poker game where the Blue chip or disk has the highest value in betting. There are green and black disks worth more than blue but the term is often used to indicate high-return trades in the world of investment.

Unlike other stocks, Blue Chip stocks don’t have a quick or unexpected drop. They decrease slowly allowing the investor to analyze the causes.

In India, larger companies like TCS, Infosys, HDFC, etc. always maintain their stability and hence list themselves among the best Blue Chip stocks. The list keeps on changing every year depending on the performance of the stocks.

**Here is a list of some of the best Blue chip shares to buy in the Indian stock market:**

* Oil and Natural Gas Corporation (ONGC)
* Indian Tobacco Company (ITC) Limited
* Hindustan Unilever Limited (HUL)
* Reliance Industries
* Oil and Natural Gas Corporation (ONGC)
* Eicher Motors
* Sun Pharmaceuticals Industries Limited
* State Bank of India (SBI)
* Asian Paints
* Maruti Suzuki

## **Why you Should Invest in Blue Chip Companies**

Investing in stock markets is like walking on a rope. As long as you are aware of the risk and fluctuations, you will manage to walk with balance. The main concern for an investor is preserving the capital. Smart investors add diversified funds to sustain the losses and Blue chip investment is one of the easy methods to do so.

Since the risk factor is low in Blue chip investment, an investor can plan for long-term returns. The companies listed under Blue Chip stocks are easy to analyze because of their successful financial results in the past. Unlike startups or new companies that are still building their empire, Blue Chip companies have the assurance of guaranteed returns.

**Following are some benefits of investing in blue chip stocks:**

* It is easy to pick the best Blue Chip stocks with the help of sales turnover and EBITDA (Earnings Before Interest, Tax, Depreciation, and Amortization). High sales turnover and EBITDA indicate the high performance of stocks.
* Blue Chip investment is always stable irrespective of stock market volatility.
* The companies associated with Blue Chips stocks are well established hence they save the investor from the insecurities of losing money.
* Blue Chip companies offer security to their investors during the company's slow growth.
* Since the investor doesn’t see huge spikes in the graph of Blue Chip stocks, the companies offer dividends to the shareholders. Hence along with minimum risk, the investor also gets definite income from the stock.
* Blue Chip stocks have a higher rate of customer satisfaction.

## **How to Identify a Blue Chip Company**

Market capitalization plays an important role in identifying Blue Chip companies. This can be found on any websites known for providing stock information. Best Blue Chip stocks for the long term have a constant gain of market capitalization.

Also, Blue Chip investment has lots of weight/resistance hence the graph is almost static. There are no sudden hikes or drops hence the performance of the companies is a major key to identifying whether it is a Blue Chip or not.

Another easy way to find out the best Blue Chip stocks for the long term is by monitoring the NIFTY 50 index. NIFTY 50 has classified the 50 largest Indian inventories into 13 sectors. The base value of the index is set at 1000 and the base capital is 2.06 trillion.

## **How to Invest in Blue Chip Companies**

Before investing in any Blue Chip companies, it is important to decide which company you are going to pick. There are several Blue Chip companies and each of them yields a different value for money.

Having a basket with diversified stocks is always good to balance the risk portfolio. You can choose the provider who has made the job easier for you.

**Are the Blue Chip Stocks Safe?**

The first question that arises to investors is ‘Are Blue chip stocks a good investment? How about safety?’

Well, let’s find out the answer; Nobody wants to expose themselves to unknown risks. Most investors worry that Blue Chip stocks are not permanent because there is a chance that new stocks/companies can replace them over time.

This doesn’t hold true for all of the Blue chip stocks. We have been observing the NIFTY 50 index for years and few of the stocks are succeeding in holding their place even after years.

Blue Chip stocks are good for long-term investment. You can keep them for as many years as you want and sell them whenever you wish. There is always positive feedback for the Blue chip investment in the market ensuring value for money.

## **Blue Chip Stock Characteristics**

The first and most important reason to invest in Blue chip companies is stable earnings. The investor always looks for low risk and assurance which can be only achieved by picking high-performance stocks.

Because of the nominal risk, Blue chips investment reduces the risk ratio In the overall portfolio of an investor. Thus he can weigh the stocks basket by picking a variety of stocks.

Blue Chip companies have usually expanded their industry worldwide hence the competitive edge plays a greater role in terms of returns.

Along with this, the companies have a great management team, Revenue, Public Relations, Profits, Business models, etc to help in continuous growth. All these work together in the stock performance and help it to maintain a steady graph.

**Things to remember while choosing Blue Chip Stocks;**

* Don’t presume the market capitalization of a company based on its fame. There are a few cases where famous companies are facing a broken growth rate.
* Keep emotions aside while investing in any company. Things like Dream company, Worked for 10 years etc don’t work in the stock industry when it comes to benefits.
* Don’t decide based on recommendations. Always carry out a proper analysis from your end before investing in any of the Blue Chip stocks.
* Keep an eye on the **bear phase** of the companies. Though the companies provide security during slow growth, sometimes it takes a lot of time to regain market capitalization.
* Best Blue chip shares to buy are the ones with good Annual revenue over a long period, Price-to-earnings ratio (PE), Average return on equity (RoE), Stable debt-to-equity ratio, and Price-to-earnings ratio (PE).

## Summary

Blue Chip stocks are always prominent and must-choose stock types in the share market. They help to stabilize the portfolio with low risk and fair return value. The companies have had robust performance in the past and their business model is secured at least for the next 10 years. There are neither high gains nor huge losses in the case of the best Blue Chip stocks. There will be time to analyze the graph if the stock is low performing. This gives an ample amount of time to sell the share hence it is always a peaceful deal with Blue Chip stocks. The only burden that the investor has to bear is finding a suitable space to buy these stocks.