The winning theory in stock market

Build your stock market retail shop with power of patience and diversification it is world simplest and smartest business which started by a minimum amount and no space require for this smart business.

Mahesh Kaushik

THE WINNING THEORY IN STOCK MARKET

By Mahesh Chander Kaushik
(NISM Certified Research Analyst Registered under SEBI RESEARCH ANALYSTS REGULATIONS, 2014, SEBI Registration Number INH 100000908)

"*An exclusive work with mind blowing ideas which will make you an independent investor in the stock market because after reading this book you can choose winning stocks in any market condition*."

"*Stop paying for stock market tips. Just read this book, and you'll know the winning theory of the stock market and start to make more money*."

FOREWORD

This book is an excellent work from Mahesh Kaushik. This book focuses on small retail investors and gives them awesome ideas about investment.

The author of this book uses very simple language and avoids technical words to make this book very easy to understand and interesting to read.

Every stock market beginner must read and buy this book because this will answer all your questions about the stock market.

After reading this book, you will understand why some people always make money from the stock market and why others are always losing money in stocks.

This book can change your vision about the stock market, and I have no doubt that if anyone follows Mahesh Kaushik's theory strictly with discipline, then his *initial investment of $100 is growing $ 7,18,03,722 after 20 years as the author of this book claims in chapter two.*

So I am clearly recommending " The Winning Theory in the Stock Market" as an essential need of every investor.

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PREFACE

Dear Readers,

I am a government servant but always wanted to build up my own business. When I heard about stock market trading, I found it to be the world's simplest and smartest business because we can start this business with a minimum amount of investment and no space required for this smart business.

In stock market investing, there is no need to invest a lot of time; you can manage your stock market business on a part time basis.

I started my stock market investment in 2005.

I called it my retail store of stocks. In this retail store style, my portfolio looks like a retail store where some small quantity of most of the valuable stocks is available for sale, read the first chapter of this book for detail.

When I come in the market, my friends said that " the stock market is very dangerous for a small investor like me." They thought I would lose my investment in the market, and I would go bankrupt.

My friends are right because most of the small investors don't treat their stock market investment as a business; they treat it like a speculation and want to make some easy money. But I always treat my stock market investments as a business, and as a retail shop.

I am winning in the stock market and always make money from it.

In my earlier years of investing, I am not a specialist in the stock market. I am a small investor like you and developed my theory of winning in the stock market.

Now I passed NISM certification for research analysts and became a SEBI registered research analyst.

I expressed my twelve years of stock market winning experience in my blog at www.maheshkaushik.com since the last seven years.

In 2013 I wrote this book to help small investors. *If you read this book step by step and follow the ideas given here, then you will never lose in the stock market*.

After reading this book, you will learn how an initial investment in the stock market of $100 will grow $ 7,18,03,722 in 20 years.

So enjoy investing in the stock market and send me your comments and suggestions about this book and any questions about my theory. I will be glad to reply your emails.

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My special thanks to:-

1.Shri Shri 1008 Satynarayan Ji Falahari Baba, which is my guru (the spiritual teacher).

2.Respected Shri Maniram Setia retd. Principal which guides me in my childhood and makes my moral principles and teach me about work is worship.

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Treat your Stock Market Investment like any Retail Business

Most of the retail investors (small investors) invest all of his money in a single stock, or some of the small investors invest all of his savings in 12-15 popular stocks.

If unfortunately, these stocks underperform in the market then their portfolio value will be down 40-60 % within a short period.

Then these small investors blame their luck and criticize stock market investing.

I think this strategy is not a good investment strategy. So I invent a basic idea of best investment strategy like a retail shop.

Why don't retail investor treat their stock market investment like a retail shop?

I think they want to make easy money from the stock market, and they want to become a millionaire in a short period with the help of the stock market.

They are going about it the wrong way! The stock market is not an easy money making tool, If you use stock market investing incorrectly, then you will lose your money, but I will give you an idea about how to become a millionaire with the help of diversification and patience.

In my stock trading strategy, I treat myself as a shopkeeper of stocks.

I invest only INR 6400 in a single stock.

I knew that you want to ask that "what is the logic behind INR6400, why not it is INR 5000 or INR 10000 or any other amount? Please do not worry I am going to clear everything here I told my basic investment amount in every stock, but this amount is not a fixed amount.

In 2005 when I buy my first stock I fix INR 2700 as the basic amount of every stock and increase this basic amount every year by 7.5% increment, so for the year, 2017 basic amount is INR6400. I give more details of this point in Chapter 13 of this book. Please read the full book and do not skip any page because every page is necessary for your stock market journey with me.

My portfolio is like a retail store where many varieties of dividends paying stocks are available for sale.

I never use stop loss or never feel worry if a stock traded below my buying price because I know that I buy a good fundamental dividend paying stock and one day I sell my stock with 15 %+ profit.

If my stock doesn't achieve its target, I enjoy dividends in my holding period.

EXAMPLE OF SHOPKEEPER DALIP BHAI MALI: -

About ten years ago I went to a general store and asked some questions. Shopkeeper Dalip Bhai Mali answers touched my heart. They helped me to design my trading policy, and I found *investing in the stock market like a retail shopkeeper is a very successful policy*.

The first question I asked him: " In your retail shop do you have some items which are not in demand and the items not sold in the last 2-3 years?" He replied, "Sir, I have many items which have not sold since the last three years ."

(Then why we worry if our stock is not selling in 2-3 months?)

I asked him " Are you ready to take a loss on these items if I offer you just ½ prices?

He replied " No sir I sell these items only at a profit because one day demand for these items may occur again. It happened so many times in the past, and if I take the loss of these types of items, then I never make profits."

(Remember his store item don't give him dividends, and my stock gives me dividends because I always buy dividend paying strong companies stock.)

My third question to him:- " Are you ready to buy more quantity of which items that are not selling well?"

(In stock market language, the average out of the stocks when they fall)

He replied "No" and looked at me like I am the biggest fool in the world. Now I asked him: " What profit do you make on each item?"He replied: "Nearly 15 % on each item that I sell."

(Then why are we greedy about our stock returns?)

I asked again "Do you feel an emotional attachment to any profit making item and think this is like gold, so you don't want to sell it at any price because you think it will make you a millionaire if you hold it for a long time?"

The Shopkeeper looks at me with strangely, and in reply, he says me, " Sir I think you are not sleeping well, and you may require a visit to your psychiatrist soon because no any shopkeeper in the whole world feels an emotional attachment to any items in his shop."

I laughed and felt sorry for asking such foolish questions and disclose to him that *I just wanted to compare my stock market business to his retail shop business.*

I saw some cooking spices like red chiles, coriander, etc. in his shop, and asked him "When did you buy these spices from your supplier?"

He replied, " I bought these spices from the broker when the price of each particular spice was down due to the new crop, so every year the market gives me a chance when I can buy spices at a low price and sell them at 15-30 % profit for the whole year."

I think "**A retail shopkeeper really understands the market because *he never would put all of his money in 1-10 items.***

He never put stop losses in good quality items, he never averages out a non-performing item, and he always adopts a buy at low and sells at high theory, he sells an item for more than 15% return and rotates his money; he is not greedy with any item."

Then I adopted this policy and found it is the best policy for a retail investor.

So I recommended that you will be investing only a small amount of your money in a particular stock. I recommend diversifying your portfolio if you have more money than trying to diversify your portfolio more because the stock market has so many good listed companies.

If you are a beginner who is just starting his stock market investing,then, first of all, divide your investment amount into small lots, for example, invest only 10% of your monthly income in each company stock .

It means to fix your basic amount for every stock and 10% of your monthly income is a key indication of this basic amount.

For example, If your monthly income is INR 27000 per month then fix 10% of this amount "INR 2700" as your basic investment amount for every stock.

So if your monthly income is INR 27000 and you want to invest INR 50,000 in the stock market then instead of invest all of your money in a single stock invest INR 2700 in 16 companies.

(2700*16=48600 hold remain 1400 in cash and every year save 10% of your monthly income for increase your investment, I will clear this point in next

chapter)
THE POWER OF SHOPKEEPER APPROACH:-

If you hold 200 quality stocks which you buy at different lower levels. Then it is not difficult to sell two stocks per day at 15 % profit. Suppose all of your stocks are in $100 lots Then if you sell only two stocks per day, then your profit is $15 per lot and means your daily earning is $30 per day or $900 per month. And when you have 2000 stocks in your retail shop then you will be able to book 15 % profits per day in 20 lots meaning your daily earnings will $300. The example given here is not a guaranteed income. The results may be varied depending on your buying price and market conditions.

With the help of these examples, I just want to teach you the power of patience and diversification. When you sell a stock, reinvest your principal amount again in a good quality stock which traded at a lower price. In some later chapters of this book, I will tell you more about how to identify a good quality stock at a lower price.

Summary of this lesson:-

1. Never put all of your money in a single stock, instead choose 2-10 stocks, And try to diversify your portfolio like a retail shop more.
2. Always buy a good dividend paying stock in the market buy when it traded at a low price.
3. Never average out a non-performing stock. Just forget about it for now and wait for the company to improve.
4. Do not be greedy, when a stock gives you 15 % + return then sell it and rotate your money.
5. Always start your buying with a low priced stock of a promising company.
6. Decide on a minimum investment amount for a particular stock, for example, if you have $50,000, then you will be using $100 for investing in each company and buy stocks from 500 good dividend paying companies based on your own research.
7. Do not buy stocks from more than one company in a trading week, because that will give you time to research the fundamentals of companies and give you the chance to buy the stock at a lower price.

8. Remember that investing in the stock market should be treated as an active business. You need to spend 1-2 hours of your time every day for researching which dividends are paying and find out what current stock options from fundamentally sound companies are available for a low price.
9. Build your stock market retail shop with the power of patience and diversification.

“**A retail shopkeeper really understands the market because he never would put all of this money in 1-10 items. He never would put a stop loss in good quality items. He never averages out A non-performing item, and he always adopts a buy low and sells high theory, he sells an item for more than 15% return and rotates his money; he is not greedy with a single item like the average consumer.**

2

How to Make $71803722 with a $100 Initial Investment in the Stock Market

In chapter one of this book, I told you about the power of the shopkeeper approach. This shop keeper approach may summarize in these words:-

"If you have 200 quality stocks which you buy at different lower levels than it is not difficult to sell two stocks per day at 15 % profit. Suppose all of your stocks are in $100 lots. If you sell only two stocks per day, then your profit is $15 per lot and means your daily earning is $30 per day or $900 per month.When you have 2000 stocks in your retail shop, then you will be able to book 15% profits per day in 20 lots meaning your daily earnings will $300."

In this chapter, I will explain the another Idea that if you have only $100 for stock market investing than how you can start your stock market business?

How is that possible? Let's find out.

Divide your $100 into 4 Parts of $25 each. Per month buy one good dividend paying low price stock with your $25 (when you read the other chapters of this book you will automatically learn that how to identify a good dividend paying stock at a low price.)

Also, add $10 per month in your saving account to increase your stock market investing.

(If you read chapter first then you remember I suggest to add 10% of your monthly income to increase your stock market investment).

This $10 additional saving per month will add $30 in your investment amount. This additional $30 saving will be able you to buy one extra stock in every three months.

I believe, within three months of buying it is not hard to sell a good stock with 15 % profit. If you reinvest your 15 % profit again and rotate your money every three months with 15 % profit, then your annualized profit of 1 year is 74 %

Consider an extra 10 % as dividend gain, so net annualized return with the dividend is 84 %

If you initially invest $100 and add $10 per month and your money is *growing 84 % annually then after 20 years, you have nearly $7,18,03722.*

This book first edition was published in 2013, one reader of this earlier edition not agreed with Idea, so he put this negative review on Amazon site:-

"If you don't know about stock market please don't write or at least mislead people. You are talking about 15% profit for every share, are you joking with people. Worst book I have ever read.
If I can complain Amazon about your misleading book, I will surely write about this useless book."

So in this edition of my book, I want to add my reply to this review "The example given here is not a guaranteed income. Results may vary base on your buying price and market conditions, but If you follow all of this book concept before buying a stock, then you get average 15% returns in a quarter."

If you still not believe in this theory then, please visit my sharegenius blog where I write a complete step by step story with practical examples that how a notional girl (Chinki) earn INR 4739045652($71803722) from an initial investment of INR 6600($100). I provide you the link of this story:-
http://sharegenius.maheshkaushik.com/2016/10/how-chinki-earn-inr-4739045652-from.html

If you buy the paperback edition of this book and feel difficult to type above link then simply google "How Chinki Earn" and you will find above article link.

Let's repeat this idea in simple words:-

Your initial investment is $100, and you book 15 % profits every three months and reinvest the profit back into the market.

With this method, you can easily get a 74 % return in a year.

Add 10 % as dividend amount.

So your net annual return is 84 %

Save an additional $ 10 every month to increase your portfolio.

One of my followers complains that it is not possible that we get profits in every stock.

I agree that stock market is uncertain and it is not possible that we get profits in every stock but if you read this whole book without skip any page and follow my concepts before buying any stock then we got profits in near about 80-90% of our buyings, Visit my website www.maheshkaushik.com and check my earlier recommendations you find that 80-90% of my recommendations got 15% to 300% or even more profits, So if you book

15% to 300% profits in 80% of your buying and book some loss in 20% of your buying then still your net profit is above 15%, So I request you that please be patience and before giving any negative review read the whole book and check my website, I am sure that If you understand my whole theory then you never criticise this theory and use stock market as your "Cash Cow"

Summary of this lesson:-

1. When you sell a stock, reinvest your principal amount again in another good quality stock.
2. If you sell a stock with 15 % profits within three months of buying and reinvest your 15 % profit again plus rotate your money every three months with 15 % profit, then your annualized profit for one year is 74 %.Also, consider 10 % additional as dividend income, so your net annualized return with dividend is 84 %.
3. If you initially invest $100 and add $10 per month and your money is growing 84 % annually then after 20 years, you have nearly $7,18,03722.
4. When your trade gives you 15 % of profits, then hold it with a trailing stop loss, 15 % is the minimum range of profits, but it does not mean to sell your stocks at a trigger price of 15 % after 15% grain, watch your stock closely.

3

Innovation of Base Price System

I have worked in the stock market since 2005; I Know that stocks are volatile in nature. In the stock market, No one can clearly say what the right price to buy a stock is, or when it is the right time to start selling stock?

I check and learn about various technical stock analysis methods like technicals, 200 DMA, and fundamental analysis, but no one is successful more than 50-70 % of the time. So my research is not complete with the old criteria like P/E, EPS, Book Value, DMA, ROCE, etc.

Finally, I found an innovative a new term: BASE PRICE (3 years average price) and I think this may completely change your thinking and you always like to check the base price before investing in stocks.

WHAT IS THE BASE PRICE: - Suppose you want to buy an average feature android mobile phone.

The basic price of an average feature mobile phone is near INR 10000, but you have no idea about his basic price and shopkeeper demand INR 50,000 price for this android mobile.

If you have no idea about basic price and shopkeeper sell his phone at 5 time higher price, then what happen?

The Same theory is useful for buying in the stock market means before you buy a stock it is necessary you have a basic idea of stock last 3-year average market price.

So base price of a stock is an average price of the last three years trading session's closing price.

Base price shows the real fair value price of stock according to the market.

In other words, we say the base price means three years DMA of stock.

In the calculation of the base price do not forget to adjust for bonus and stock split

For example, if a 10 rupee face value stock market price is 100 and the stock splits in 2 rupee face value, then you would count before the split price as 20 instead of 100.

Remember for the base price or 3 years DMA calculation your stock must be listed for three years because if you calculate the base price below three years price, then the calculation does not work properly.

Why Use Base Price: - Suppose you want to buy 165-litre freeze, and you go to freeze shop, salesman show you models, and you choose one good model for you. Now you ask about price shopkeeper say " Sir, the price of this freeze is only 60,000 rupees?

What Happen?

Why do you think the price of INR 60,000 is not genuine for the 165-liter freeze?

You think so because you knew base price of freeze you knew at Indian market price of freeze is near about 10,000 to 14,000 rupees and 60,000 is an unfair price.

Same would happen in the stock market if you knew base price of stock then you have a lump sum idea about the fair value of stock, and you easily identified overvalued stocks.

HOW TO USE BASE PRICE OR 3 YEARS DMA IN-STOCK SELECTION FOR INVESTMENT: -

If a stock just crosses its base price in upside and traded 10-20 % higher from the base price, then I think the buying price is a good value, but on the other hand, if the stock crosses its base price from upper side to downside then that stock is risky to buy.

If you buy a stock below the base price; then it is cheap but your waiting period may be 1-2 years for a decent return and if your stock market price is more than 20% of the base price than the valuation of the stock is already high.

My simple formula for investment horizons is to buy below 20% of the base price and sell above 20% of the base price.

But for trading purposes buy 5 % above of the base price in up trend (uptrend means the stock crosses its base price from lower price to upper price) and sell 15 % above from the base price.

HOW TO CALCULATE BASE PRICE OR 3 YEARS DMA

Base price or 3 years moving average is a new concept to me, so no any software is available to calculate it.

We calculate it manually with the help of an MS Excel spreadsheet.

For calculating the base price, we download the last three years closing prices of a particular stock from an exchange website and when the sum of the last three years closing price divided by the number of trading days we get the three years average price.

You may also watch my youtube video to learn how to calculate base price, here is the link:-
https://www.youtube.com/watch?v=qR6EQk1f1cM

Or search “Mahesh Kaushik base price” on youtube.

For example, we choose a stock NOCIL. The base price of NOCIL is 20.52 (on 12 April 2012), So CMP 16.50 of NOCIL is a fair price for an investment of 6 to 24 months horizon's and the target is 24+ to book profit. But for trading, I wouldn’t buy it at CMP and wait to cross 21 and after crossing 21. I would buy it for trading purposes and book profit near 23-25 in the short term, in trading base price also works as stop loss.

New Update in New Edition of this Book: - One of my follower who brought an earlier edition of this book asked me a question about its base price confusion. I include this question and my answer in this new edition to improve reader’s understanding of this concept.

My follower wrote

“I have some queries about Base price after reading your book.

In Chapter 3

1. If base price is less than 20% CMP, then buy. I understand it makes sense.
2. If base price is more than 20% CMP, then don’t buy. I understand it makes sense.
3. But as in the book if the BASE Price is more than 20% then its ‘Value Buy.'

So how can we consider in point 2 and three whether it’s don’t buy’ or ‘Value Buy’?

Also, you reference how to predict the best price when to buy after seeing all the fundamentals according to book?

My Reply:-

Please read this full quote in the book

"If a stock just crosses its base price in upside and traded 10-20 % higher from the base price then I think buying price is a value buy but in the opposite case if I stock cross its base price in downside than it is risky to buy. "

It means if the stock price is up from its lower price to higher price and traded 10% above base price but still doesn't cross 20% upside from base price then it is a value buy. If it crosses more than 20% upside from the base price, then I would not buy it because I think the valuation of this stock is already higher from the base price.

Summary of this lesson:-

1. Always buy a stock below 20% of its three years average price (which I called base price) and try to book profits above 20 % of the base price.
2. For the calculating base price, use historical price data from companies and an MS Excel sheet.
3. Traders may use base price as a stop loss.
4. If a stock has just crossed its base price in upside and traded 10-20 % higher from the base price, then I think the buying price is a value buy, but in the opposite situation if a stock crosses his base price in downside then it is risky to buy.

4

Net Sale Per Share Concept For Fundamental Target Price of Any Stock

In the last chapter, you learn that before you buy a stock, you must check "Base Price" of that stock and buy if stock traded "20% below to 20% higher from the base price."

If you check the base price before buying, This will automatically protect you from overvalued stocks.

Now next important thing which you must check before buying is "Net Sale Per Share."

In the stock market, many of the average investors use EPS and P/E concepts for checking any stock valuation. But I am not satisfied with these old criteria for evaluating a stock.

(EPS means earnings per share when we divided net profit by total number of shares we get EPS, and P/E means price/earnings this is a ratio of stock market price and EPS)

If we check EPS and P/E, then we consider only profit making companies are because EPS calculated on the net profit basis and profit making companies always traded at a high valuation.

So it is wise to invest in a loss making but the good fundamental company which has the possibility to turn around in profit.

Suppose a good company X has a decent net sell of 100 million dollars, but due to company expansion plans (investment in new branches and stores), the company shows an expenditure of 120 million.

So you see a net loss of 20 million and EPS or P/E is also zero (or in minus sign).

On the other side, a fraud company Y has net sales of only 20 million, but the company shows extraordinary income from selling off assets of 55 million and expenditure of 10 million. Then this company shows a net profit of 65 million (20 net sells + 55 extraordinary incomes =75-(10 million expenditure) =net profit of 65 million.

So which company is good in X or Y?

X is good because after the period of company expansion plans company expenditure will be reduced, and the company will make a turnaround from loss to profit.

So **if you use the net sells per share ratio, then it is quite an interesting thing, and you may be picking a good loss-making company at a lower valuation with the possibility of turning around**.

For analysis of this method, take last quarter net sale figure (net income or net revenue) of your company and divide it by the total number of shares this ratio is called NET SELL PER SHARE FOR A QUARTER.

Multiply this NET SELL (NET REVENUE) PER SHARE FOR A QUARTER with 4 then this is our estimated Net sell per year

You may also calculate directly last year net sale per year (NSPY). Take last year net sale figure divided it from a total number of share and got last year net sale per year.

I also call it "*Valuation Meter of a Stock Price.*"

if your stock price is lower from NSPY, then your stock valuation is good, and if CMP is higher from NSPY then the stock is traded at a higher valuation".

For example June 12 quarter, net sales of Arvind Ltd is 8520700000, and a total number of shares is 258043069, so when we divided net sell/total number of share we get a fraction 33.02, now we multiply this 33.02 by 4 and get 132.08.

So one year estimated net sale per share is 132.08, and this is a fair valuation for ARVIND LTD as per this theory CMP of 71 is cheap for buying and the fundamental target price of Arvind Ltd is 132+.

Please remember if sales increase year buys year then NSPS also increase.

This book first edition is published in 2013 so above example represent 2012 net sale per share of Arvind Ltd.

If we recalculate 2017 net sale per share of Arvind Ltd then we got NSPS=209.29, and current market price of 05 May 2017 is 408, So please remember we use net sale per share to identify undervalued stocks, It does not mean that any stock not traded above his net sale per share.

You may also watch my youtube video to learn more about net sale per share, here is the link:-

https://www.youtube.com/watch?v=1rdWmenk_wM

Or simply search Mahesh Kaushik Net Sale Per Share" on Youtube.

Summary of this lesson:-

1. When last quarter net sales data (net income or net revenue) of your company and divided by the total number of shares, this ratio is called NET SELL PER SHARE FOR A QUARTER. Multiply this by 4, and this is our estimated Net sell per year.
2. Do not look at net profits of a company. Always look at the net revenue of the company .
3. Choose stocks which have a higher net revenue per share.
4. Buy when the market price of a stock is below its one-year net revenue per share. And sell when a stock's current market price crosses one-year net revenue per share.

5

Fundamental Calculation for Predicting Target Price of Any Stock

In the last chapter, you learn how to identify cheap stocks with the help of net sale per share.

Some followers email me that " Net sale per share of Infosys is INR 258.12 and stock traded at 1278, How it possible?

I again clarify that many stocks traded above his net sale per share, we use net sale per share to identified undervalued stocks.

If Infosys net sale per share is 258 and stock traded @1278 then simply it indicates that stock is overvalued at price of 1278 and this is not a right time to buy this stock.

For example, I identified Maruti Share in 2005 as an undervalued stock. 2005 Price of Maruti Suzuki share was near 450 and CMP in 2017 near 6600.

Now in this chapter, I tell you how to identify the target of any stock.

Most investors don't know about the fundamental targeting of stocks.

Many books available about the stock market teach us only about technical analysis and technical targets of stock , but no one teaches us fundamental targeting of a stock

So in this book, I will tell you my unique method of predicting fundamental targets of a stock

1. For calculating fundamental target, first of all, check yearly net revenue per stock and note it down in a diary, Suppose company A had last year net revenue 1000cr, and a total number of stocks in company A is 10cr then net revenue per stock per year is 1000/10=100 so noted down 100.

   (In Lesson 4 of this book I described to you the net revenue per share concept "*When last quarter net sales data (net income or net revenue) of your company is divided by the total number of shares this ratio is called NET SELL PER SHARE FOR A QUARTER. Multiply this by 4 then this is our estimated Net sell per year*" for more detail read lesson 4 of this book.)

   2. The book value of a stock is a great fundamental term, So now

that you've noted down the book value of this stock in your diary. suppose your company A book value is 67.

3. Now check 3 Years DMA (Base price which I described earlier in the 2nd lesson of this book) and suppose it is 85.
4. Now take an average of our first figure 100 (Net yearly revenue per stock) and second 67 (book value) and third 85 (Base price) this is 100+67+85=252/3=84
5. For best results reduce 10% of this figure as market fluctuation correction, so 10% of 84 is 8.40 now, you can assume your fundamental target 84.00-8.40=75.60
6. So if the stock traded below 75.60, then it is your buy, and in more than 80 % cases I see that stock achieve this target in one year to three years.

Always set your fundamental target before you buy, and it must be 15 % higher than your buying rate.

Summary of this lesson:-

1.Take averaged out net revenue per share, book value and the base price of stock then reduce it 10 % this is the fundamental target of stock.
2. Buy below 15 % of the fundamental target for making profits.
3. If the stock is traded 20% or more above its fundamental target, then it should be strictly AVOIDED.

This book contain theory, and I knew my readers might feel boring when they read theory, so I upload some youtube videos to clear every concept, you may search "fundamental target price Mahesh Kaushik" on youtube to find my video about this chapter of directly open from this link:-
https://www.youtube.com/watch?v=vsrNYQ9ToJM

"***Always set your fundamental target before you buy, and it must be 15 % higher than your buying price.***"

6

How to Identify Speculations in a Stock

Now You select your stock which traded 20% lower or higher from base price which traded below his fundamental target price but before you buy first check bulk deals.

Because when anything good or wrong going to proceed, news of this future incident may leak to operators and this rumor makes stock price unstable.

How to identify operator's activity in stocks?

It is very simple to identify the operator's activity in stock because they buy and sell in big lots and this big buying and selling are known as bulk or block deals in stock market language.

Bulk deals mean Major broker-dealers often provide "block trading" services sometimes known as "upstairs trading desks"to their institutional clients.

A block trade is a permissible, noncompetitive, privately negotiated transaction either at or exceeding an exchange determined minimum threshold quantity of shares, which is executed apart and away from the open outcry or electronic markets.In the United States and Canada, a block trade is usually at least 10,000 shares of stock or $200,000 of bonds but in practice significantly larger.

Every stock exchange provides a history of these big deals so if you want to identify the operator's activity in a stock Just visit the stock exchange website and see bulk and block deals history you should and avoid the stock if you find any big deals in the recent 24 months.

Some of the stock exchanges provide big deals every day, but don.t provide a history of these deals. In this case, you need to start a diary for these bulk and block deals.

When your data or operator activity stocks are ready, use my general criteria. *I always avoid stocks which record bulk and block deals in last two years because we are not elephants we are small investors like ants*.

Operators play speculation in stocks, They buy or sell huge quantities in a particular stock for increasing volume and trader's activity. At least they book profits when the stock trades at very high prices, but small investors will be trapped.

If you remember and follow this trick, then you will never be trapped at a higher price.

You may also check stock exchange website for past bulk/block deals, and if you find past history of bulk/ block deals on the exchange website, then you may not need to maintain a daily diary for such types of deals.

Summary of this lesson:-

1. Try to understand speculation of pricing in stock markets.
2. Avoid a stock which has a recent bulk (block) deal.
3. In my criteria of the stock screening, I always avoid a stock which has had a bulk deal in the last two years. (for trading stocks I reduced this timeframe from last 2 year to last 1 year)
4. When bulk deals happen in any stock which traded near its year high and all time high, then a downturn in this stock may be starting in the coming 1-2 months.

7

Is it Good to Buy a Stock Below Face Value?

Most of the investors like stock below face value. When I was newer in the share market I tried this concept many times on my penny share investing but I found that if I brought 20 penny stocks with a market price below face value then 4-5 stocks perform well and give us more than 25 % return in 3-12 months but the other 15-16 stocks have turned out as a bad investment and showed no movement in price.

The overall performance of stock below face value is not very good.

So I think before you try to buy these type of stocks (stocks traded below face value), you must consider seven points of checking:-

1. Promoters holding is more than 15 %.
2. Book value is not more than 3 times of stock current market price. Please also avoid stock with negative book value.
3. 52-week high low ratio is less than 2.
4. The stock traded below its one-year net sale per share.
5. The stock hasn't traded 20 % above its base price.
6. No recent bulk deal in the last 2 years.
7. No recent stock split and bonus in last 2 years.
8. Stock must be traded above his 200 DMA

If this type of stock (which market price is less than face value) has more than 30 % promoters holding, high book value and 52 weeks high are near market price. (In a range of 10-20 % discount on 52 weeks high) then it is good.

If the stock traded at 60-80% discount on the 52 weeks high, then this is a sign of long-term sideways movement that means.Based on my past experience that this type of stocks doesn’t perform well in a 1-2 year of timeframe.

Summary of this lesson:-

1. Buy a stock below its face value is not a good idea.
2. If a stock traded below its face value but promoters holdings are

good and stock reaches near its year high (from lower price to upper price), then you can buy a stock below face value.

3. Stock below face value is risky so always check other fundamental points like base price, one-year net revenue per share, recent bulk deals, recent stock split and bonus before you buy.

8

How to Choose a Stock for Investment

In last seven chapters of this book, you will learn about *The first theory of stock market investment that makes a diversified portfolio when the market is down.*

Now, you probably have a question like "HOW DO I CHOOSE A STOCK FOR INVESTMENT?" So in this chapter, I tell you about some stock screening criteria.

1. FACE VALUE: - Face value is your basic amount which invests in the company , in other words, *face value is your real share in the company equity capital* for example if a company has a10,00,000 share of 10 rupee face value than share capital of the company is 10,00,000 x 10= 1,00,00,000 , and if you buy 50 sharesof this company at market price of 100 then you invest 50 x 100=50000 but your partnership in company share capital is 50 x 10=500 only , remain 4500 is given as a premium to the seller who sells its stocks to you.

If you buy a stock at 3500 which face value is 1 rupee, then your investment in the company is only 1 rupee, and the remaining 3499 is a premium to the seller.

Suppose I want to buy an infra stock and choose 3 stock names A B C for screening. suppose the face value of A stock is 10 rupees and market price 68 , the face value of B-stock is 2 rupees, and market price is 48 face value of C stock is 1 rupee, and market price is 12 .

Which stock is cheapest in A , B or C ?

Now we compare stocks market price in 1 rupee face value, so we divide each stock market price by its face value so in similar face value of 1 rupee market price for A stock is 68/10=6.80 for B stock 48/2=24 for C stock 12/1=12, so stock A is the cheapest stock .

2. YEAR HIGH AND YEAR LOW: - Now I see year high and year low for each stock and if the stock is down more than 50 % from a year high than I AVOID this stock. For example, year high of stock A is 256.55 years low is 96 and the stock traded at 108.55 then *I AVOID this stock because good*

<u>companies never go down more than 50 % within a year unless something is wrong.</u>
In on the other hand a stock is trading more than 100 % from year low than I AVOID it for example company B is traded at 56 and year high for this company is 65.25 years low is 19.55 then I AVOID it because I think this stock is already running very fast and it is better to wait for the market fall.
<u>3.PROMOTERS HOLDING: -</u> I the promoter is holding below 15-20 % then I think the stock is not good for investing , if promoter holding reducing in the last one to four quarters then I think something is wrong and avoid this type of stock because promoters are selling their stocks to retail investors but if promoters increase their holding then I think it is good because promoters know his company fundamentals very well.

One of my followers from U.S.A wrote me " I don't quite understand your promoters holding concept because of the difference in the Indian market and the U.S. market. Please give me an example of what a "promoter" would mean or be in the U.S.A

So I also want to tell you the meaning of a promoter, "A Promoter is a person who engaged in the formation of the company. For example, Bill gate is a promoter of Microsoft, and A Promoter of facebook is Mark Zuckerberg."

<u>4. BASE PRICE:</u> - Finally I check the base price of the stock , this is a new concept which replaces my old criteria of 200 DMA and book value because I think base price is more reliable and more stable if a stock just crosses its base price in upside and traded 10-20 % higher from the base price then I think buying price is a good value, buy But in opposite stock crosses its base price in downside then it is risky to buy. I wrote a separate article about the calculation of base price in this book so; please read it for more understanding about base price .

<u>5. NET REVENUE PER SHARE: -</u> Calculate the net revenue per year of stock as I described earlier in this book if your stock price is lower than your stock valuation it is good and if CMP is higher from it than stock is traded at a higher valuation.

<u>6. NO RECENT BULK DEAL AND NO RECENT BONUS: -</u> As I told

you in lesson 6 of this book that bulk deal is a sign of speculative activity so generally I avoid a stock which has had a recent bulk deal in the last 2 years.
Similarly in lesson 9 of this book you will learn that bonus and stock splits do not change a company's fundamentals they give only a psychological effect on investors and after a recent bonus and stock split the stock will be entered in a downturn so avoid a stock which had a recent bonus and split issue in last 2 years.

Summary of this lesson:-

1. When you compare prices of the two stocks, always look at their face value for identifying which stock is cheaper.
2. Do not buy if a stock falls more than 50 % from the year-high.
3. Do not buy if a stock rises more than 100 % from year low.
4. Always avoid a stock which promoters are holding below 15 %, and promoters reduce their holdings in last one year.
5. Avoid a stock which traded 20 % above of its base price.
6. Choose a stock which traded below its one-year net revenue per share.
7. Avoid a stock which has a recent bulk deal in the last 2 years.
8. Avoid a stock which has recent stock split and bonus in last 2 years.

9

Bonus And Stock Splits Give Only Psychological Effect for Investors

The bonus does not Change Company fundamentals and only creates a psychological effect for investors.

I will clarify this , suppose one company has a total of 100 shares, and the company earns 1000 rupees in a year .Then EPS of the company is 1000/100=10 , ok.

Now The company declares bonus 1:4 means if you hold 1 share, the company gives 4 shares to you free. So the total number of shares after the bonus issue has increased from 100 to 500 but the profit of the company is still 1000 so after bonus EPS of the company is 1000/500=2 means EPS is diluted after the bonus, and you see a price adjustment after bonus.

So the bonus is beneficial only when the profit of the company increases otherwise it will dilute the EPS and give a negative effect on long-term share price but in the short term if the company declares bonus the demand of the general public is increasing because they did not understand that this is an equity dilution and increase in equity they think company is just giving them free shares.

So the price increase in the short term but after bonus news has cooled down and adjusted himself like Unitec stock (Unitec is an Indian stock which price down from 12000 to 28 after bonus and split issue).

Historically big IT company, Infosys, and Wipro rise after the bonus issue because their profit is rising and EPS is rising . So don't try to compare every company, from big bosses.

Summary of this lesson:-

1. After a bonus issue and split in the face value number of stocks is rising so company net EPS is diluted after the bonus.
2. Bonus and the stock split are not a big change for buying a stock.
3. After a bonus and split, investors may sell their extra stocks, so stock shows a downside after a bonus and face value split.

10

Reverse Trading System

The reverse trading system is my special system to avoid loss in the stock market this system of reverse trading is also known as delivery base short selling in the cash market. Generally, short selling is allowed on Intraday trading and in future and option, but in this article, I tell you how small investor can get the benefit of short selling in delivery base cash market investing.

For understanding, reversal trading system looks at my example.

On 31 Dec 2007, when the Indian market traded at his all time highs, I bought and infra stock name Punj Lloyd which traded at 560 Indian rupees I bought 10 stocks and invested 5600 rupees in Punj Lloyd stock.

After that, the market is crashed badly and when the stock crashed more than 50 % from its year high within a year (in earlier articles of this book I already told you to avoid a stock which is crashing more than 50 % within a year) I sold these 10 stocks of punch Lloyd @ 256 and got 2560 rupees. My friends thought that I booked my loss of 5600-2560= 3040 Indian rupees . But I always tell my friends that I have never booked losses in the stock market they wonder about my pride and want to clarify this loss making trade.

After that , I tracked Punj Lloyd year high / year low ratio regularly, and when this ratio was stable (less than 1.5) than I bought these 10 stock again @ 56 rupees per share so, this time, my investment is 560 rupee only and I get back INR 2000 in my reverse trading (2560-560=2000), so this minimizes my earlier buying cost from 5600 to 5600-2000 = 3600 only.

So now I hold it, and my holding cost for these 10 Punj Lloyd stocks is 3600 it means if I sell these stocks in 444 rupees per share than I earn my 15 % profit target without any loss. I will point out it again for you.

1. First buying of Punj Lloyd 10 share @560 total investment 5600
2. Reverse sell @ 256 total loss 3040 but get 2560 rupees back.
3. Again buy 10 share @ 56 total investment 560, so I get 2000 rupee case back in this trading it will minimize my earlier purchasing cost

from 5600 to 5600-2000=3600 only.

4. Now my holding cost is 5600-2000=3600
5. My price target is 444, so if I get it, then it will give me 444*10=4440, so I get 4440-3600=840 rupee as my 15 % profit.

I repeat it in another word Started with an investment of 5600.
First Trading:
1. bought 10 shares @560 = 5600
2. sold @256 =2560
3. Loss of 5600-2560 = 3040

Once the correction happened, and stock stabled.
The amount I left with the first transaction is only 2560.
Second Trading:
Bought the same quantity of 10 shares @56
1. Bought 10 shares @56 = 560.
2. Remaining amount=2000 (2560-560).
3. If I sell the stock @444, I will get money back of 4440.
Adding these (4440+2000) gives me back 6440.
Including the both trading I got a 6440 back from the initial amount I started 5600 and profit is 840 which is 15 % of 5600
OK, I still hold this 10 share because still, Punj Lloyd traded below my target price444
So *when you are trapped in a loss-making trade, then track its year high year low ratio when stock crash more than 50 % from the year-high it means year high/ year low ratio is more than 2 so this is a sign of long-term bearish trend then it is wise to book your loss.*
<u>*And after some year when the downturn in particular script is stable mean year high / year low ratio is less than 1.5, this time, you will buy your same quantity again*</u>.
Update of the new edition:- If you read my recent book “How Chandu Earned And Chinki Lost In The Stock Market?” Then you may familiar with this new update.
Here I provide some outline for new readers who not read above book yet. (However, It is recommended that you read “How Chandu Earned And Chinki Lost In The Stock Market?”book for a more deep understanding of

this update.
Now I update this reverse trading system, and you simply need to track 200 DMA of your portfolio stocks.
You can calculate 200 DMA by yourself and find it on moneycontrol site or watch my youtube video about 200 DMA calculating:-

https://www.youtube.com/watch?v=rSVbuSddVBU

Do not buy a stock which traded below this 200 DMA
If stock traded above 200 DMA then hold it.
When Stock closes below 5% of 200 DMA, then it is a sign of selling your stock either in profit or in the loss.
Because in more than 90% case I find if stock close 5% or more below from 200 DMA then it enters in a long-term downtrend so if you sell your stock on this breakeven point then you may protect your investments from further downside.
When correction is over, and you're stock close 5% above from 200 DMA then buy same quantity again.
With the help of this method, you consider closing -5% below from 200 DMA as a stop loss.
So when you sell your stock 5% below from 200 DMA and buy again 5% above from 200 DMA then actually you not book your loss you simply using the reverse trading system.
Kindly read my recent book “How Chandu Earned And Chinki Lost In The Stock Market?” for a more deep understanding of this update.
Summary of this lesson:-

1. Reverse trading may protect your money from loss.
2. When you are trapped in a loss-making investment, then track his year high year low ratio when stock crash more than 50 % from his year high it means year high/ year low ratio is more than 2, so this is a sign of long-term bearish trend then sell it. And after some year when year high / year low ratio is less than 1.5, this time, you will buy your same quantity again.
3. When Stock closes below 5% of 200 DMA, then it is a sign of selling your stock either in profit or in the loss.
4. When correction is over, and you're stock close 5% above from 200

DMA then buy same quantity again.

My Army Method of Profit Booking in Long Term Equity SIP

If you have fancy stock and you want to buy a huge holding in a particular stock, then I will tell you my secret method of safe investing and safe profit booking.

First of all, make a long-term equity systematic investment plan in your fancy stock, suppose you want to buy a huge holding in a Country Club then make a monthly $50 SIP in Country Club for 5 years.

After 5 years you have a huge holding of Country Club, Now you use my unique army method for profit booking.

<u>My Unique Army Method:-</u> For understanding, this Army method Suppose an Army Captain has 10,000 soldiers and the enemy attacks his post so what is the right method for defense?

a. All 10,000 soldiers will fight, and if the enemy kills all of them, then you have lost your army post.

b. Divide all soldiers into 10 teams of 1000-1000 soldiers, the enemy first fights with 1000 soldiers, and if all 1000 soldiers are martyred then the 2nd team of 1000 soldiers will fight, and if this team is also martyred then, next 3rd team will fight...till all 10 teams are martyred.

5. This is not a joke I am trying to tell you about a serious method of stock market defense.

6. I think option "b" is the best defense option for any captain where he Divides all soldiers into 10 teams of 1000-1000 soldiers, the enemy first fights with 1000 soldiers, and if all 1000 soldiers are martyr then 2nd team of 1000 soldiers will fight and if this team is also martyred then the 3rd team will fight...till all 10 teams are martyred.

7. Ok, I use above option in my long term SIP ,Suppose you invest $ 50 per month in Country Club and after 5 years you have 2563 stocks and the price of Country Club is $198 after 5 years.

Now treat each of your stocks like a soldier and divide these 2563 into 10 lots of 256-256 stocks.

If price of Country Club falls more than 30 % from any nearest high (in this example we suppose price of Country Club is $198 after 2 years) then book your 256 stocks means if country club down back from 30 % of 198 and touch 138.60 then book your 1/10 part of holding (Hold remain 90 % shares and Continue your SIP).

8. If price further 30 % fall from here (30% of 138.60) then book another 256 (1/10). 198 is supposed price you can take any figure instead of 198 suppose you take 100 then book your first 1/10 at 70 and second at 70-21(30% of 70)=49...third 49-14.70=34.30

9. I think you understand my Army method of profit booking in long-term equity SIP, and this is necessary to protect your profits because no one gives you guarantee that your stock will continue up in coming 10 years.

Summary of this lesson:-

1. Do not buy a huge holding in your fancy stock.
2. If any stock is your fancy, then make a long-term equity SIP in particular stock.
3. When you hold a huge quantity of any stock in profits, then do not book profit in all of your holdings.
4. Divide all of your holding in 1/10 parts and if this stock starts falling then sell 1/10part at every 30% price fall.

12

Golden Rules For Winning In the Stock Market

1. First of all, divide your money into two parts 70 percent in equity and 30 percent in cash and cash mutual fund (like gilt fund debt fund or ETF).

2. Never put all of your money in a single stock and 2-10 stocks, try to be more diversified in your portfolio like a retail shop.

2. For low risk, always invest in good company share I give you some checkpoint for decided a good company:-

A. It one-year net revenue per share is higher than the market price.

B. If a company pays dividends, then it is good.

C. Promoters holding in the company must be above 15 %

3. In a time purchase only the minimum quantity of a share (in Indian market in a time purchasing of 5000-10000 rupees (near $100-$200) is sufficient (for fundamentally sound share) and in penny share not to invest more than 2500-5000 (near $40-$80) rupees at a time do not be greedy , for example If you have 100000 rupees, first divide it in 70:30 ratio.

If you have total 100000 savings, then invest only 70000 rupees in equity market or hold 30,000 in bank FD or other instruments.

From these INR 70,000, you can purchase 14 companies equity shares by investing 5000 in each stock.

But in a trading week, we purchase only one company because if we buy these 14 companies in 14 weeks, then we have time to good research and chance to buy them at a low price.

4. Avoid buying in same sector company, for example, TCS or INFOSYS both are software companies, and if both qualify in your 4 point checking system which I gave in part 1, then you select only one company. How you select one among this two company it is simple.Again check both companies in our four point checking system and which point is higher, select him.

5. Most important thing future and option or intra-day trading strictly prohibited for my followers.

If you are a short-term trader and want to make some quick money in a very short time like a day or 2 – 3 days then only luck or god can save your money, and I think this book is not for you.

6. On the base of above rules, I think you make your best-diversified portfolio of 50-100 company.
7. Not to average out your stock in every 5 to 10 rupees fall. Average out must be done when your stock close 5% above from 200 DMA.(Read more details at chapter 26 of this book)
8. Do not borrow money For stock market investing for a stock market investor it is compulsory that you are a debt-free person. If you have big debts on your credit cards and you borrow money for your needs then, first of all, please repay all of your debts and loans and then start your stock market business.

If you want to start your investment with my style then I recommended to save 10% of your monthly income and fix your first month 10% amount as your basic investment amount, suppose your monthly income is 60,000 per month then fix 10% of 60000=6000 rupees as your basic investment amount in every stock, Every year increase 7.5% in this basic investment amount, read more details in next chapter.

Summary of this lesson:-

1. Don't put all of your savings in equity.
2. Invest a minimum amount in a single stock.
3. Do not trade in future and option and intra-day speculation.
4. Do not average out at every fall.
5. It is compulsory to become a debt free person before starting any stock market investment.
6. Do not borrow money for stock market investing.

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How to Increase Your Investment in the Stock Market

In an earlier chapter, I tell you that if you want to invest 50,000 in the stock market then divided it into 10 lot of 5000-5000 each.

It means invest only 5000 in a single stock and hold a stock minimum of one year period and after one year if you got profit more than 15% then sell it and book your gains.

Ok….I think you already read this in my book.

But now I want to tell you one of my secret formula that is how I keep my mind peaceful and happy in every market condition.

In 2005 I started investing in the stock market with the basic money of INR 1,02,600 and bought 38 shares with investing of INR 2700-2700 in each company.

In 2005 when I buy my first stock I fix INR 2700 as the basic amount of every stock and increase this basic amount every year by 7.5% increment so the year 2017 basic amount is INR6400.

Suppose I sell one of these lots in 2006 and get 15%+ profit means my initial investment INR2700 and I got INR405 profit (after reducing brokerage).

It meant after one year my 2700 becomes to 2700+405=3105 and now I want to invest my money in a fresh stock so what is right strategy for me

1. Invest the entire INR3105 in a new stock.

2. Or enjoy my profit of INR405 and invest the basic amount INR 3500 again.

I know most of the reader choose option 2 for me, but both options are wrong if you want to make money in stock market.

Now I tell you my secret formula of re –investing.

1. If I go with option 1 then I never earn with the market, this option is like a gambling where the gambler reinvests his entire winning amount and one day he lost all of his money.

2. In the second option, my earning and profits are always limited everyone wants to increase his investments; everyone wants to increase his earnings.

3. So what is the right choice? The right theory (or my theory) is that I always increase 7.5% of my basic amount when reinvesting money in after profit booking.

So 7.5% of 2700 is 202.50 I rounded off to the nearest 50 , After rounding of it is 200 . So my re-investment amount is 2700+200=2900 and remains 3105-2900=205 is my earning which I use to fulfill my needs.

4. I rotate this formula every year, means every year I again increase my reinvestment amount by7.5% (and I rounded off to the nearest 50, so in 2017 my basic investment amount in every stock is INR 6400) .

Watch this table to understand how I increase my investment year by year:-

Year	Last year/ initial Amount	7.5% increament	Increased Amount In Nearest 50	Basic Amount for year
2005	2700	-	-	2700
2006	2700	202.5	200	2900
2007	2900	217.5	200	3100
2008	3100	232.5	250	3350
2009	3350	251.25	250	3600
2010	3600	270	250	3850
2011	3850	288.75	300	4150
2012	4150	311.25	300	4450
2013	4450	333.75	350	4800
2014	4800	360	350	5150
2015	5150	386.25	400	5550
2016	5550	416.25	400	5950
2017	5950	446.25	450	6400

5. In this example 15% profit is minimum sometimes I get more than 15% like 40-125% profit in my trade, in this case, I increase only 7.5% and get 7.5% in my pocket. I use the remaining profit to increase the number of lots.

For example, In 2008 when the market was beaten down and most stocks traded at a very discounted price I invest INR 3350 in a stock and get 125% profit (INR 4187.50) in this trade then I make a new lot of 3350 with my profit .

(I honestly disclose that above investment amounts examples are notional example because In my earlier trading years of 2005-2008 I also break discipline in investment amounts and do not strictly follow basic investment amounts but now I strictly follow my rules given in this book and do not invest more than INR 6400 in a single stock, except Country Club stock which I buy through my special SEP method which was given in my book "How Chandu Earned And Chinki Lost In The Stock Market".

Summary of this lesson:-

1. Choose your Initial Investment amount in each stock.
2. Book your profit when the stock has risen more than 15% and rotates your money in a new stock.
3. Every time increase 7.5% in your new investment amount.

What are the Basic Reasons for the Changing Prices of Stocks?

1. The market price of every stock is made by 2 things:-
(1st thing) the face value of stock + (2nd thing) premium to the stock= market price of the stock For example stock of reliance communication Ltd is trading at 65 face value of this stock is 5 rupees, and market premium is 60, so the current market price is 5+60=65.
2. Face value does not change in normal trading it is changed only if the board of directors passes a resolution for this purpose. In trading the stock premium is only changed by demand and supply formula suppose I bid for buying 1000 stocks of reliance communication Ltd in the open market and no one agree to sell his stocks @65 (at a premium of 60), so the premium is increased 60 to 61 62 63 64 65 66 67…… and so on until circuit limit .
Suppose one could agree to sell his stock @75 so, in this case, he gets 70 rupee premium, and if my trade is made then current market price is now 75 it means 70 as (premium) +5 (face value) =75
3. It means I buy a stock of 5 rupees in 75 rupees my partnership in company equity is only 5 rupees if a company give me 50% dividend then it is not 75/2=37.50 it is 5/2=2.5 per stock only because I give 5 rupees to the company and 70 rupees to the seller of the stock. So my partnership with company capital is only 5 rupees.
4. When the number of buyers is higher (demand is higher) in stock than its price is up (premium is up) and the seller is more (demand is down) when the price of the stock is down (premium is down).
5. No one controls the stock premium. It is decided by the buyer and seller agreement. Sometimes exchange fixes a circuit limit to control excess speculation in stock price.
6. One other useful price of information that why one could pay a premium for buying a stock? It is due to stock EPS (earnings per stock) for example face value of XYZ stock is 1 rupee only but per stock earnings of XYZ stock is 4.78 per stock so why anyone gives us his stock at only 1 rupee (because this stock earn approximately 5 rupees a year) so he gives us his stock if we give him a premium of 199 rupees because the current market price of XYZ

stock is 200 (1+199) it means we pay him 40 years of earnings advance to buy a stock it is called P/E (price/earnings per stock). So P/E of XYZ stock is 40.

7. One other thing; sometimes a company has low equity like MMTC, this company has only 5,00,00,000 stock of 10 rupee face value and promoter hold 99.33 percent stock so the remaining 335000 stock trade in this market if these stock held by some investors and demand is still in market then price is going higher and higher you wonder current market price of MMTC is 32440 and EPS is 43, so MMTC P/E is 754 (means we pay 754 year earnings to buy a stock of MMTC) (this article is originally written 25.06.2010, so price given its example is for 25.06.2010) 8. The last point, the premium may be negative also. For example pan, India Corporation Ltd is a 10 rupee face value stock, but its current market price is 0.70 only means a premium on this stock is -9.30 .

(This chapter was originally written at 25.06.2010, so the price given for this example was 25.06.2010 price).

Summary of this lesson:-

1. The stock price is made by face value and premium.
2. The premium of shares depends on demand and supply theory.
3. So rising and downside possibility in stock is unlimited (in downside limited to 0 or Delisting from the exchange).

" Downside and upside possibility in stocks are unbelievable so do not pay high premiums for stocks which you buy for trade because premiums will increase or down rapidly when market conditions change. "

15

Biggest Lie Of Share Market

One day, When I went to the market to buy vegetables, my shopkeeper said to me “Oh sir, your market (share market) is near its all-time high, so I think you make huge profits.”
I replied him “it is the biggest lie of share market.” He wonders “HOW?
I explain “our index Nifty has 50 a stock and we change 18 stocks in nifty from 2007 near about 38 % share changed in Nifty so how we compare 2007 nifty to 2010 nifty?”
From 1996 to 2017 total 172 scripts changed in Nifty.

Yes, this is true: Today, I expose this biggest lie of the market to my book readers.
This lie is “ Index is a constant variable.”

The truth is “ Index figure is not a constant figure, Stocks in a stock market index are not constant, Stocks in a market index are changed from time to time.”

These shares are changing in the nifty constitution from 2007 to 2010.

THESE 17 SHARES ARE CHANGE IN NIFTY FROM 4 APR 2007 TO 1 OCT 2010

Date of Inclusion	Securities Included	Securities Excluded
1-Oct-10	SESAGOA	UNITECH
1-Oct-10	DRREDDY	IDEA
1-Oct-10	BAJAJ-AUTO	ABB
8-Apr-10	KOTAKBANK	GRASIM
22-Oct-09	JPASSOCIAT	TATACOMM
22-Oct-09	IDFC	NATIONALUM
17-Jun-09	JINDALSTEL	RPL
27-Mar-09	AXISBANK	ZEEL
12-Jan-09	RELCAPITAL	SATYAMCOMP
10-Sep-08	RPOWER	DRREDDY
14-Mar-08	DLF	GLAXO
14-Mar-08	POWERGRID	BAJAJAUTO
12-Dec-07	IDEA	MTNL
12-Dec-07	CAIRN	HINDPETRO
5-Oct-07	UNITECH	IPCL
24-Sep-07	NTPC	DABUR
4-Apr-07	RPL	JETAIRWAYS
4-Apr-07	STER	ORIENTBANK

So the stock market index is not a best parameter for checking stocks valuation always see particular share price movement not to consider index movement to evolute a particular stock.

Update In 2017:- Since 18 Sept 1996 to 31 March 2017 Nifty constitution changed 171 times, you may download full Excel sheet from NSE India website of these 171 changes in Nifty scripts.

Here is the link to download all changes in Nifty, Nifty Junior, Nifty Midcap etc.:-

https://www.nseindia.com/content/indices/IndexInclExcl.xls

I am also include an “Apendix” table in last pages of this book where you find list of above 171 changes in Nifty.

What do you think? Has our index been a fair parameter of market health? Mail your reply to me at mahesh2073@yahoo.com

Summary of this lesson:-

1. Stocks in a market index are changed from time to time.
2. So the stock market index is not a best parameter for checking stocks valuation always see particular share price movement not to consider index movement.
3. In my personal experience at every index level, some of the companies stocks perform well so if you have a diversified

portfolio, then you have a chance to sell and get 15 % profits at every level of the market index.

4. Nifty stocks changed 171 times after 1996.

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What Is Option Trading?

I don't like to advise you to trade in the F&O segment in the stock market because F&O is a tool for the big institutional investor . I include this article in this book for the educational purpose of small investors.

1. An option is a contract, which gives the buyer the right, but not the obligation to buy or sell shares of the underlying security at a specific price on or before a specific date.
2. There are two kinds of options: Call Options and Put Option.
3. A Call Option is an option to buy a stock at a specific price on or before a certain date. When you buy a Call option, the price you pay for it, called the option premium, secures your right to buy that certain stock at a specified price called the strike price. If you decide not to use the option to buy the stock, and you are not obligated to, your only cost is the option premium.
4. For example, suppose Praveen Goswami purchases 1 Infosys Computer DEC 2350 Call at a premium of 20 .This contract allows Praveen Goswami to buy 100 shares of Infosys at Rs 2350 per share at any time between the current date and the end of DEC. For this privilege, Praveen Goswami pays a fee of Rs 2000 (Rs 20 a share for 100 shares). The buyer of a call has purchased the right to buy, and for that, he pays a premium. Now let us see how one can profit from buying an option.
5. If the stock rises above Rs 2370 (2350+20), he will break even, and he will start making a profit. Suppose the stock does not rise and instead falls he will choose not to exercise the option and forego the premium of Rs 20 and thus limiting his loss of Rs 2000.
6. When you expect prices to rise, then you take a long position by buying calls. You are bullish.
7. When you expect prices to fall, then you take a short position by selling calls. You are bearish.
8. Put Options are options to sell a stock at a specific price on or before a certain date .With a Put Option, you can "insure" stock by fixing a

selling price. If something happens which causes the stock price to fall, and thus, "damages" your asset, you can exercise your option and sell it at its "insured" price level. If the price of your stock goes up, and there is no "damage," then you do not need to use the insurance, and, once again, your only cost is the premium.

9. For example, Satya purchases 1 Infosys Technologies DEC 2350 Put -- Premium 20 This contract allows Satya to sell 100 shares INTEC at Rs 2350 per share at any time between the current date and the end of August. To have this privilege, Sam pays a premium of Rs 2000 (Rs 20 a share for 100 shares). The buyer of a put has purchased a right to sell. The owner of a put option has the right to sell. So she will break even only after the stock falls below Rs 2330 (2350-20) and will start making a profit if the stock falls below Rs 2330.
10. This is the primary function of listed options, to allow investors ways to manage risk.
11. The Strike Price denotes the price at which the buyer of the option has a right to purchase or sell the underlying. Five different strike prices will be available at any point of time. The strike price interval will be about 20. The strike price is also called Exercise Price. This price is fixed by the exchange for the entire duration of the option depending on the movement of the underlying stock or index in the cash market.

NOW WE COME TO OUR MAIN POINT "*please please please note that future and option are not for small investors like you and me it,they are useful tools for big players like mutual funds and FII, but if a small player plays this game then he/she always will lose their hard earn money I have never see a small investor make permanent big money from F&O , he enjoy speculation for some time and then ends up losing all of his money in F&O*.

Summary of this lesson:-

1. Future and options trading are not for small investors it is a tool for big institutional investors and speculators.
2. So it is wise to avoid future and option, and Intraday trading for protecting your hard earned money.

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How Analysts on TV Confuse us.

Before you continue with this chapter, Please note that every analyst on TV is not wrong, but we understand their technical language incorrectly because technical terms work fine for traders only if you are an investor, then investing on the basis of fundamentals is a good theory.

For example:-

Rita from Delhi buys 1000 ITC share in rupees 2.20 lacks @ 220 in the year 2005. When she hears that ITC share is continuing in an uptrend and in last 2-year ITC share price reaches 220 from 70. She also hears a technical analyst on TV say that chart pattern of this share is very good and in the long term uptrend.

If share cross targets 250, then it goes to 400, and the next target is 600 then 1000. She also hears a fundamental analyst say that it is a blue chip company in FMCG business and grow 20 to 30 present every year so if you invest in the long-term horizon, you will get a decent return.

After her investment share goes to 240 but she cannot sell and book profit because she has a long-term horizon then share come 200 she average out it and buy 500 more shares (1.10 lacks rupees). Then share goes to 150 and trade 150 to 180 in the year 2006 and 2007.

No any return she got her investment then she asks the same technical analyst on TV about her investment. Then he replies that why you not to follow a stop loss of Rs. 200? The share is in a down trend and book your loss and go to technically sound share like reliance which share trade at 3000 and our price target is 4500 in the one year.

After her shifting reliance goes to 1200 and ITC goes to 350

However, Rita says goodbye to the share market for forever, and she always criticizes stock market, and it's speculation.

Summary of this lesson:-

1. Do not blindly follow every analyst on TV. Apply your own sense of humor before investing.

2. Try to understand differences of a short-term technical tip and long-term fundamental investing.
3. Swapping from a loss-making stock to another stock is not a good policy.

Spiritual Tip For Traders

Now we discuss the market from a spiritual view. The Market depends on three planets Surya, (SUN) Rahu, and Shani (SATURN) so sometimes you feel the unwanted loss in your market trades. And you see your friend who has less experience, whose trading pattern is foolish and risky but he makes a profit on every trade, and you make a loss on every trade.

Astrologer says it is due to a planetary pattern in the horoscope in Gujarat some traders on the market always ask their astrologer before making any trading decisions.

Do you believe these things or not?

Ok, in my view these things are right, and I believe these tools.

Today I told you a simple Totka (SPIRITUAL FORMULA) to control your loss in the market. But this is only to share my view with other investors; please do not speculate blindly in the market on behalf of this tip. Otherwise, I am not liable for any loss because there are no guarantee and no scientific reason that this tip is working.

But it is not a bad idea to try this and make comments about whether it is working or not work.

This is the Spiritual formula: - on Tuesday take a small piece (near about 3-7 inch) of shisham (Dalbergia Saissoo) tree bark. Wash it with fresh water and dry it.

Always keep this bark in your pocket when you work in the market. There is a saying that will sound your decision in the market and relax your mind when you trade and increase your level of confidence. It is also said that it will help you to make the winning decision. Try it and report comments about what differences you see in your trades after using this tip.

Tree of Dalbergia Saissoo

Best of luck. Please read the disclaimer before making any trade. The author is not liable for any loss and no guarantee of this tip.

Summary of this lesson:-

1. It is believed that if a trader keeps Dalbergia saissoo tree bark in his pocket that he will be lucky in trading.
2. Our small investor also tries this tip when they place to buy or sell order in the market then keep Dalbergia saissoo bark in your pocket for better luck.

Easy Technical Analysis For Small Investors

If you want to learn technical analysis of stocks but find it difficult, then do not worry- you are in the right place. I write these points in simple language for small investors and day traders who feel uneasy about learning technical analysis of stocks so read the followings points carefully and learn step by step simple technical analysis:-

1. Technical analysis is a chart reading technique and method of evaluating stocks by analyzing statistics generated by market activity, past prices, and volume.

2.I do not teach you how to draw charts and how to calculate the RSI, MOVING AVERAGE ETC. Because in this computer age you find 100 sites that will instantly draw a stock chart for you.

Therefore, we will learn chart reading in the simplest possible way.

3. The stock opened at (or near) its low closed near its high. Is a bullish pattern suppose Infosys share is closed 1190.55 and its day low is 1185.02 and day high is 1210.33 next day open at 1184.35 and make a high 1225.33 finally closed at 1217.52 then it is a bullish pattern, and you go long in this stock

4. That the stock opened at (or near), it is high and dropped substantially to close near its low a bearish pattern. Moreover, if in above example share is open 1212.55 and close at 1187.22 then it is a bearish pattern, and you go short on this stock.

5. If a stock trades above its 50 days or 100-day moving average, then it is a bullish pattern and you can hold or ride your stock.

6. If a stock trade below its 50 or 100-day moving average, then it is a bearish pattern and you book your profit or loss.

7. See RSI (Relative Strength Index) on your chart if RSI is above 70 then the stock is overbought and risky and you not to trade long such type of stock and book your profit. Moreover, if RSI is less than 30, then you start your investing.

8. Resistance - is a price level above the current market price, at which selling pressure should be strong enough to overcome buying pressure and thus keep

the price from going any higher. So book your profit before resistance.
9. Support - is a price level below the current market price, at which buying interest should be able to overcome selling pressure and thus keep the price from going any lower. So start buying above support
I think these 9 points are helpful for a small investor to find stock movement and remember technical analysis is not always right so try some fundamental quarries also.

Summary of this lesson:-

1. It is necessary for a small investor to keep some knowledge of technicals but always invest on the basis of fundamentals.
2. Before making an investment, please check moving averages, RSI, support, and resistance to make a good decision.

My Basic Concepts For Investing In Penny Stocks

One day my boss (I work in the Tehsil office, so Tehsildar is my boss) asked me why I dislike penny stocks? He suggested to me that one could trade in these penny stocks like a scrap business. He advised me to visit a scrap shop and interview the shopkeeper. Fortunately, I met a scrap business person (in Hindi called kabaria) I asked him how much he earns with scrap? He told me that it is simple *he bought scrap nearly free because he bought an iron scrap @ 5 per kg and sold it 10 times higher @50 at Delhi scrap market. He told me that he makes about a 1000 percent margin in scrap trading.* So I think seriously about starting my share scrap business (means start trading in penny stocks.) Because only penny stocks give you, amazing returns and our wanted 15 % profit is easier with a low price stock.

HOW TO CHOOSE A GOOD PENNY STOCK.

Penny stocks are like a scrap because most of the companies which stock traded at such a low price are sick units. So choosing a sound penny stock is a difficult job.

Today I tell you some of my criteria to choose a good penny stock for my own investment.

I follow these rules strictly for investing in a penny share:-

1. It's year high/ year low ratio is not more than 2 (two). Which I described earlier in this book.
2. Its promoters holding must be more than 20 %, and promoters shouldn't be reducing their holdings in the last one year.
3. Its market price is less than ONE YEAR NET REVENUE PER SHARE and net sells or net revenue is not nil .
4. No recent stock split or bonus issue activity in last 3 year. Because in most of the stock split and bonus stocks they do not move again for nearly 3-5 years.
5. No bulk deals in last 2 years.

I scan many penny companies per day for my own investment, and if I find any companies that meet all of these criteria, then I make a very small investment in these penny stocks.

Summary of this lesson:-

1. *Invest only 10 % of your total investment amount in penny stocks because they are risky*.
2. Penny stocks may give you multiple returns if you choose a good penny stock.
3. Penny stocks are like a scrap because most of the companies whose stock traded at such a low price are sick units. So choosing a sound penny stock is a difficult job.

Formula For Short Term Trading

First of all, I tell my readers that I always avoid intraday trading. This formula is not given here for intraday trading, but it is useful for 7-30 days delivery base trading and future and options positions.

Why do I give this formula in my book which is only for investors?

I give this formula here because if any trader buys my book, then he got the value of its buying price or other investors educated to recognize a short period rise and fall signs in stocks .

Now I tell you the theory of intraday chart reading or some technical analysis for trading in stocks.

This formula is popular among my friends under the name of **"sharegenius formula of intraday trading."**

This is a simple formula (simplicity is my specialty) just take the last day open, and close prices then reduce open prices and close prices and note down this entry and if it is a negative figure or a positive figure. Then check the next day open price again reduce it with last day close price and note down the result as a negative figure or positive figure.

Ok, now remember this sharegenius formula of day trading.

1. If last close- last open = negative figure and last close-today open is also a negative figure, then you may make short positions because the stock is bearish.

2. If last close- last open = positive figure and last close-today open is also a positive figure, then you may make long positions because the stock is bullish.

For example, see this price data of Arvind Ltd

Check 17.12.12 and 18.12.12 price data
17.12.12 closed - 17.12.12 open is 92.95-90.95 = 2 is a positive figure, and 17.12.12 close-18.12.12 open is 93.25-92.95= 0.30 this is also a positive figure so you may take a long position in Arvind on 18.12.12 (market prove this you got a target of 106 after this bullish sign).

Now check 11.01.13 and 14.01.13 ratio (market closed on 12.01.13 and 13.01.13)

11.01.13 close - 11.01.13 open is 102.80-103.7 = (-) 0.90 is a negative figure and
11.01.13 Close-14.01.13 open is 102.80-103 = (-) 0.20 this is also a negative figure and market proves this because at 19.01.13 Arvind Ltd is fall near 96.
This formula has given us 70-80 % accuracy for making a short or long position.

New Update:- Above short term trading formula invent from me in 2010, but after more experience and more research, I find that if we make one change this formula, then it is useful for day trading .

Here is the modified formula for day trading:-

1. If **last close- last open = negative figure** and **today open-last close** is also a **negative figure,** then you may make short positions because the stock is bearish.
2. If **last close- last open = positive figure** and **today open-last close** is also a **positive figure** then you may make long positions because the stock is bullish.

You may use above modified formula for day trading.

for intraday trading first, select any 10 stocks which traded above his 200 DMA & 30 DMA.

You may find 200 DMA & 30 DMA on moneycontrol site no need to calculate it.

Now run this formula in above 10 stocks which you select.

You find 3-4 stocks which fulfill this condition:-

last close- last open = positive figure and **today open-last close** is also a **positive figure**

make a long position in these 3 stocks but use 30 DMA as your stop loss.You find that you make profits in 70%-90% trade.

For short positions, first, select any 10 stocks which traded below his 200 DMA & 30 DMA.

You may find 200 DMA & 30 DMA on moneycontrol site no need to calculate it.

Now run this formula in above 10 stocks which you select.

You find 3-4 stocks which fulfill this condition:-

last close- last open = negative figure and **today open-last close** is also a **negative figure**

make a short position in these 3 stocks but use 30 DMA as your stop loss.You find that you make profits in 70%-90% trade.

Summary of this lesson:-

1.For 2 To 30 Days Positional calls Use this formula:-

1. If last close- last open = negative figure and last close-today open is also a negative figure, then you may make short positions because the stock is bearish.
2. If last close- last open = positive figure and last close-today open is also a positive figure, then you may make long positions because the stock is bullish.

But choose stocks which traded above 200 DMA and use 200 DMA as stop loss.

2. For Intraday calls Use this formula:-

1. If last close- last open = negative figure and today open-last close is also a negative figure, then you may make short positions because the stock is bearish.
2. If last close- last open = positive figure and today open-last close is also a positive figure then you may make long positions because the

stock is bullish.

But choose stocks which traded above 30 DMA &200 DMA and use 30 DMA as stop loss.

Mutual Fund Investing

Generally, I do not invest in mutual funds because I think when we invest in mutual funds we lose the chance of learning markets and lose the excitement of direct investing.

When I invest directly in stock and stock run above 25 %, I feel very excited and more happiness in my research. But in mutual funds, I feel they run very slowly and as per market only. If the market runs 20-25 % they run 30% but when market down 15% they also down 15% to 20%.

I wonder why that expert on TV always suggests a stop loss theory but why mutual fund don't apply stop loss? Why funds NAV fall as per market? In 2007 market correct 60% and NAV of all mutual funds also correct 50-70%. So my question is "Why they don't apply stop loss like a small investor? If they apply stop loss at 15-20% falling, then its NAV does not fall more than 20%."

So generally I avoid mutual funds, but I like to make a single SIP in the largest corpus size fund for making secure profits (And use my own profit booking formula in this SIP which I tell you later in this book).

MY CRITERIA TO CHOOSE A MUTUAL FUND

1. Most of my followers ask me about the best tax saving plan in a mutual fund. I think you knew that my view is always different from normal advisors. Because I have reasons to justify my views...
2. *Normal advisors and business books take the criteria of past performance of a mutual fund so every year they change their top picks and advise small investors to shift their money from one fund to another fund because past performance is not guaranteed and always change from the fund to fund and time to time*.
3. But my criteria are more steady and stable for long periods.
4. *I choose mutual fund scheme "which have largest fund size"* because I believe the scheme with largest fund size is a market leader and fund manager have more money to diversify its portfolio to give stable returns for its investors.

Summary of this chapter:-

1. Mutual fund investment is a passive investment.
2. Invest only in SIP method.
3. Choose fund which has largest corpus size. The scheme with largest corpus size is a market leader, and fund manager has more money to diversify its portfolio to give stable returns for his investors
4. Do not forget to book timely profits in your mutual fund SIP.
5. Advice based on past performance may be changed every time so do not swap your largest corpus size fund in any other more performing fund because in long term largest corpus size fund will be won.

Chose Dividend Option in ELSS

When you invest in mutual funds for saving income tax (in some countries like India investment in equity linked saving schemes are tax-free).

Then your units of ELSS (equity linked saving schemes) are locked for 3 years.

So if you choose the dividend option on ELSS, then you will enjoy dividends every year on your locked units of ELSS.

Remember dividends on mutual fund units are tax-free in some countries.

So in my theory, choose a dividend option of equity link saving mutual fund scheme with a lock in period and invest in a systematic investment plan (invest in equal monthly installments).

Summary of this lesson:-

1. Choose the dividend option in ELSS because dividends are tax-free (in India) so you enjoy a dividend in your lock in period.
2. In ELSS invest only in SIP method.

How to Book Profits in Mutual Fund SIP

When the market is a bullish trend, most investors do not book his profit from his mutual funds because they are confused by TV channels where the expert says the India growth story is a long term story of 20-30 year so this is the time to buy and hold (in 2007 this line was common on TV), and when the market crashed in 2008 they lost all of their unrealized profits .

So I invented a formula to book profits in long term mutual fund systematic investment plans

1. This is a very simple but very powerful formula to book profit in a SIP of a mutual fund .You may apply it on any fund past history,

2.*I think you will like it very much because this formula was invented by me from a hard research work on the past history of mutual funds*

3. ***In this formula when your total portfolio value grows 11% then book your 33% corpus and continue your SIP***.

4. For example, you start SIP of 500 rupees in a mutual fund at NAV of 10 after 15 months of your SIP suppose your total unit is 733 total investments

15 **X** 500=7500 and now NAV is 11.36, socurrent value of your portfolio is

11.36 x 733= 8326.88.

Now your net profit is 8326.88-7500=826.88 it is above 11% of your wanted profit so now book your 1/3 (33%) holding means you hold 733 units,so you sell 733/3=244.33 unit it will give you 244.33 x 11.36=2775.58 , in this 2775.58 you assume that you book all of your profit 826.88 and remain 2775.58-826.88=1948.70 is principal investment which you book as profit.

Now you remain investment in SIP is 7500-1948.70=5551.30 now continue your sip add per month 500 in principle amount and wait for next 11 % rise in total investment.

In view of above formula one of my readers emailed me that “Dear Mahesh, I have been reading your posts for a long time. I have prepared an excel sheet for your profit booking formula which was earlier mentioned in your blog. (Book profit with 1/3 of total units/shares held when profit reaches a certain level). I want to share it with you to know if there exists any discrepancy

because I do not find the same results as you ?
I checked this reader's sheet and found that he does not reduce the principal amount after profit *booking so does not forget to reduce the principal amount after profit booking*.

I think now you understand that when your investment is growing 11 %, you may book 1/3 of holding and after deduction of 11 % profit *enjoy remain principle amount for your personal use and debt funds.*
It will secure you're realize profits from any market fall also balance your portfolio in debt and equity because my advice to use your principal amount (which you get in profit booking) in debt instruments like FD or saving account, you will also get 5-7% annual interest in this principle amount.

Summary of this lesson

1. Do not forget to book profit in mutual fund SIP.
2. It will secure your realize profits from any market fall also balance your portfolio in debt and equity.

Criteria to Hold a Stock

Now, I want to tell you my Criteria to hold a stock beyond 15 % Profit. If stock price up with volumes and market conditions are favorable for your stock, then hold it.

Normally I hold a stock minimum for 1 year because as per Indian law after one year holding returns are tax free so some of my stock runs more than 15% in this one year holding period, for example, I recommended and bought Pricol Ltd at 16.35 in August 2013 and at July 2014 CMP of Pricol Ltd is 46.65 and stock already gave 185.23% profit to me in July 2014 but I not sell it because my one year is not complete after August 2014 when my minimum holding period is over for this stock I sell out this stock at 55.30 and get 238.22% tax free profits,

One other great point to remember if stock price crossed its net sell per share per year and traded 20% above base price then it is wise to book profits.

Overall there is not any sure rule for the exit, it all depends on greed and your experience in share market.

How do we decide which exit strategy to follow?

In this book I give these 3 exit strategies:

- Target price of 15% profits from entry price
- 20% + of Base price
-Predicted target price TP = (NSPY+Book value+Base Price)/3), where NSPY mean Net Selling Per Year(per share)

Predicted target price TP = (NSPY+Book value+Base Price)/3 is best but Personally I not follow this after my holding of one year if my profit is above 15 % I book my profit because I rotate my money and book profits are always protected us from downfalls.

Summary of this lesson

1. If stock price up with volumes and market conditions are favorable for your stock, then hold It.
2. There is not any sure rule for the exit,it all depends on greed and

your experience in share market.

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How to Recover Your Loss in Stock Market

It is possible that you buy this book too late and your portfolio is in the loss.

Now I tell you a sure formula to recover your portfolio loss.

Check 200 DMA of your stock , If your loss-making stock is traded 5% or more below from his 200 DMA and stock cross this 200 DMA from upper price to lower price then sell it at any market price and book your loss.

For example you invest in Stock A @ 105 per share when you invest 200 DMA of Stock A is 98 after few days your stock A fall from 105 to 92 this means your stock fall 5% or more below from his 200 DMA and stock cross this 200 DMA from upper price(105) to lower price(92). This is a sign of fresh weakness, and stock price may fall more so sell your stock when you trap in this type of situation.

Now watch 200 DMA of your stock per day. You can calculate 200 DMA by yourself and find it on moneycontrol site watch my youtube video about this:-

https://www.youtube.com/watch?v=rSVbuSddVBU

When your stock cross this 200 DMA from low price to higher price then buy it again if you already sell this or If you miss selling and still hold in loss then invest double amount average out at this level and invest the double amount in same stock.

For example when your stock cross his 200 DMA 98 in downside then DMA is also falling as stock fall and if you sell it near 90 to 93 then it will be possible that stock fall near 50 to 60 in next 3 to 6 months in this situation DMA will also fall near 67 to 72 so when stock cross this 200 DMA in upside then buy it again if you already buy.

If you not sell near 90-93 in a downtrend and hold this loss-making stock which you buy @105 then, this time, invest the double amount to average out when stock cross his 200DMA in an uptrend, and you wonder in 80%+ cases you recover your loss within 30 days.

Watch my youtube video for more detail.

In Youtube search box type “Mahesh Kaushik How To Recover Loss” You will find the video link .

Summary

You completely read this book, and now I think you may understand that investing in the stock market is the world's simplest business, but people lose their money because they don't treat their business as a business . They speculate on the market and try to make some easy money. So if you apply concepts of this book to your investing and work hard at choosing a good stock in my theory, then you may always win in the stock market.

Tell me about how much you like this book. Please send your comments to me at mahesh2073@yahoo.com

My main motto for writing this book makes you self-dependent that you will choose good stocks with the help of research terms given in this book.

But if you still find difficulty to choose a stock for investment, then please feel free to download my free app "Multibagger Stocks Sharegenius" from google play store.

In this app, I publish full research reports of stocks who full-fill terms given in the book and also provided stocks who break out over his 30,50,150 & 200 DMA.

I spent my 12 precious years in writing this book ,if you do not understand any of terms given in the book, then please do not put a negative review because followers negative review may break my heart so before putting a negative review please fill free to email your concern to me. I will try to resolve your problem, and if you are still unsatisfied, then you will free to put your negative comment.

my email address is-mahesh2073@yahoo.com

due to 25000 followers I am unable to attend your phone calls & reply all emails so please be patience and forward your email again if you did not get any reply within 7 days.

Here is a summary of this book , if you remember and follow these points, then you find stock market business is the world's simplest business because in the stock market business you will start your business with very small capital. Even if in $100 you start your stock market business with buying one company stock or buying with some units of mutual fund. So please remember these golden points again for stock market investing.

1. Treat your stock market business like a retail shop and keep many varieties of stocks in your portfolio.
2. Always buy a good dividend paying stock.
3. Always buy new stocks in market fall when good stocks traded at a discount.
4. Never average out a nonperforming stock.
5. Sell your stocks when a stock gives you 15 % + return and rotate your money. Not to be emotionally attached to any company because the shop keeper doesn't hold his shop item when buyer give profit to shopkeeper than he/she will not hesitate to sell his shop item.
6. Always start your buying from a low price stock which fundamentally good. For example, download price list all of the stocks in Microsoft excel format and then sort out this list with stock close price smallest to the largest pattern. Then check smallest close price stock fundamentals if it's full fill your criteria then buy a minimum lot of it and if not full fill then check next stock, repeat this process and build your share market retail shop.
7. Decide a minimum investment amount in a particular stock , for example, if you have 50,000 dollars than you will decide $100 for investing in a company and buy 500 good dividends paying company with your own research.
8. Do not buy more than one company in a trading week because it will give you time to research on fundamentals of companies and give you a chance for buying at a lower price.
9. Always buy a stock below 20% of its 3 years average price (which I called base price) and try to book profits above 20 % of the base price.
10. When your trade gives you 15 % profits than holding it with trailing stop loss, 15 % are a minimum range of profits, but it does not mean to sell your stocks at a trigger price of 15 % after 15% watch your stock closely.
11. If stock price up with volumes and market conditions are favorable for your stock, then hold It.

12. No any sure rule for an exit out, it all depend on your greed and your experience in share market.
13. Do not see net profits of a company always see net revenue or net sale of the company .
14. Choose stocks which have a higher net revenue per share. My new term for this is NSPS (Net sell per share).
15. Buy when the market price of a stock is 20 % below from its one-year net revenue per share. And sell when stock current market price cross one-year net revenue per share.
16. Decide your fundamental target for sell out stock for this purpose averaged out net revenue per share , book value and the base price of stock then reducing it 10 % this is the fundamental target of stock.
17. Buy below 15 % of fundamental target for making profits because we sell our stocks when stock price cross fundamental target price.
18. If the stock traded 20% or more above its fundamental target than Avoid it because the valuation of the stock is high and it may be available at a lower price in market fall.
19. Do not buy a huge holding in your fancy stock.
20. If any stock is your fancy, then make a long-term equity SIP in particular stock.
21. When you hold a huge quantity of any stock in profits, then do not book profit in all of your holdings.
22. Divide all of your holding in 1/10 parts and if this stock starts falling then sell 1/10part at every 30% price fall.
23. Choose your Initial Investment amount in each stock.
24. Book your profit when the stock is rising more than 15% and rotate your money in a new stock.
25. Every time increase 7.5% in your new investment amount.
26. Big traders make a speculation of pricing in stock markets. So try to identify its speculation through bulk deals history.
27. Avoid a stock which has a recent bulk (block) deal. When bulk deals happen in any stock which traded near its year high and all-time high than the downturn in this stock may be starting in coming 1-2 months.
28. Stock below face value are risky so always check other

fundamental points like base price, one-year net revenue per share, recent bulk deals, recent stock splits and bonus before you buy stocks below his face value.

29. When you compare prices of the two stocks, then always see their face value for identifying which stock is cheap.
30. Do not buy if a stock falls more than 50 % from year high. And in opposite Do not buy if a stock rise more than 100 % from year high.
31. When you trapped in a loss making investment than tracking his year high year low ratio when stock crash more than 50 % from year high it means year high/ year low ratio is more than 2 so this is a sign of long-term bearish trend then sell it And after some year when year high / year low ratio is less than 1.5, this time, you will buy your same quantity again.
32. Always avoid a stock which promoters holding below 15 % or promoters reduce their holdings in last one year.
33. Avoid a stock which traded 20 % above of his base price.
34. Choose a Stock which traded below his one-year net revenue per share.
35. Avoid a stock which has a recent bulk deal in last 2 year.
36. Avoid a stock which has a recent stock split and bonus in last 2 years because after a bonus issue and split in the face value , the number of stocks is rising, so company net EPS is diluted after the bonus.
37. Do not trade in future and option and intra-day speculation. Do not average out at every fall.
38. Do not borrow money for stock market investing.
39. If last close price - last open price = negative figure and last close price -today open price is also a negative figure then you may make short positions because the stock is bearish.
40. If last close price- last open price = positive figure and last close price - today open price is also a positive figure then you may make long positions because the stock is bullish.
41. The stock market index is not a fair criteria for investing because Stocks in a market index are changed from time to time. Always see particular share price movement not to consider index movement.
42. In mutual fund investing invest only in SIP method. Do not forget

to book profit in mutual fund SIP ; it will secure your realize profit from any market fall also balance your portfolio in debt,and equity Mutual fund investment is a passive investment. Choose mutual fund which has largest corpus size.

43. Choose the dividend option in ELSS.
44. Penny stocks may give you multiple returnsif you choose a good penny stock Invest only 10 % of your total investment amount in penny stocks because they are risky.
45. It is necessary for a small investor to keep some knowledge of technicals and before making an investment, it is advisable to check moving averages, RSI, support, and resistance to making a good decision but always invest on the basis of fundamentals.
46. It is believed that if a trader keeps Dalbergia saissoo tree bark in his pocket that he will be lucky in trading.
47. Do not blindly follow every analyst on TV apply your own sense of humor before investing.
48. Try to understand differences of a short-term technical tip and long-term fundamental investing.
49. Swapping from a loss-making stock to another stock is not a good policy.
50. Future and options trading is not for small investors it is a tool for big institutional investors and speculators.
51. If you invest initially $100 and add $10 per month and your money growing 84 % annually then after 20 years you have near $71803722.

Download my Multibagger Stocks Sharegenius app from google play store, It is free of cost, with the help of this app you get all of my future recommendations and discuss your problems with me.

Regards

Mahesh Chander Kaushik

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The author recommends that you consult with a qualified investment advisor, one licensed by appropriate regulatory agencies in your legal jurisdiction, before making any investment decisions, and that you confirm the facts on your own before making important investment commitments

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Appendix

List of 171 changes in Nifty:-

Event Date	Scrip Name	Description
18-09-1996	ABB India Ltd.	Inclusion into Index
18-09-1996	Asian Paints Ltd.	Inclusion into Index
18-09-1996	East India Hotels Ltd	Inclusion into Index
18-09-1996	Glaxo (India) Ltd.	Inclusion into Index
18-09-1996	Mahindra & Mahindra Ltd.	Inclusion into Index
18-09-1996	Nestle India Limited	Inclusion into Index
18-09-1996	Chambal Fertilizers & Chemicals Ltd.	Exclusion from Index
18-09-1996	Hero Honda Motors Limited	Exclusion from Index
18-09-1996	Apollo Tyres Ltd.	Exclusion from Index
18-09-1996	Indian Aluminium Co. Ltd.	Exclusion from Index
18-09-1996	Madras Refineries Ltd.	Exclusion from Index
18-09-1996	Nagarjuna Fertilizers & Chemicals Ltd.	Exclusion from Index
07-05-1997	Mahanagar Telephone Nigam Ltd.	Inclusion into Index
07-05-1997	Brooke Bond Lipton India Ltd.	Exclusion from Index
14-05-1997	Bharat Heavy Electricals Ltd.	Inclusion into Index
14-05-1997	Hindustan Petroleum Corporation Ltd.	Inclusion into Index
14-05-1997	SCICI Ltd.	Exclusion from Index
14-05-1997	Dr. Reddy's Laboratories Ltd.	Exclusion from Index
24-12-1997	Bharat Petroleum Corporation Ltd.	Inclusion into Index
		Exclusion from

24-12-1997	Essar Gujarat Ltd.	Index
07-10-1998	Bank of India	Inclusion into Index
07-10-1998	Cipla Ltd.	Inclusion into Index
07-10-1998	Hero Honda Motors Limited	Inclusion into Index
07-10-1998	Infosys Technologies Limited	Inclusion into Index
07-10-1998	NIIT Ltd.	Inclusion into Index
07-10-1998	Procter & Gamble India Ltd.	Inclusion into Index
07-10-1998	Smithkline Beecham Consumer Healthcare Ltd.	Inclusion into Index
07-10-1998	Thermax Ltd.	Exclusion from Index
07-10-1998	Andhra Valley Power Supply Co. Ltd.	Exclusion from Index
07-10-1998	Ashok Leyland Ltd.	Exclusion from Index
07-10-1998	Bharat Petroleum Corporation Ltd.	Exclusion from Index
07-10-1998	Indo Gulf Corporation Ltd.	Exclusion from Index
07-10-1998	Mangalore Refinery & Petrochemicals Ltd.	Exclusion from Index
07-10-1998	Ponds (India) Ltd.	Exclusion from Index
26-05-1999	Dr. Reddy's Laboratories Ltd.	Inclusion into Index
26-05-1999	Novartis India Ltd	Inclusion into Index
26-05-1999	Reckitt & Colman India Ltd.	Inclusion into Index
26-05-1999	Arvind Mills Ltd	Exclusion from Index
26-05-1999	Great Eastern Shipping Company Limited.	Exclusion from Index
26-05-1999	Reliance Capital Ltd.	Exclusion from Index
08-09-1999	Britannia Industries Ltd.	Inclusion into Index
08-09-1999	Satyam Computer Services Ltd.	Inclusion into Index
	Industrial Finance	Exclusion from

08-09-1999	Corporation Of India Ltd.	Index
08-09-1999	Indian Rayon & Industries Ltd.	Exclusion from Index
10-05-2000	Dabur India Ltd.	Inclusion into Index
10-05-2000	TVS Suzuki Ltd.	Exclusion from Index
24-05-2000	HCL Infosystems Ltd.	Inclusion into Index
24-05-2000	Zee Telefilms Ltd	Inclusion into Index
24-05-2000	EIH Ltd.	Exclusion from Index
24-05-2000	Industrial Development Bank of India Limited	Exclusion from Index
01-09-2000	Digital Equipment (india) Ltd.	Inclusion into Index
01-09-2000	Bank of India	Exclusion from Index
17-01-2002	Sun Pharmaceutical Industries Ltd.	Inclusion into Index
17-01-2002	Wipro Ltd.	Inclusion into Index
17-01-2002	HCL Infosystems Ltd.	Exclusion from Index
17-01-2002	Kochi Refineries Ltd.	Exclusion from Index
25-01-2002	ICICI Bank Ltd.	Inclusion into Index
25-01-2002	Reckitt Benckiser (India) Ltd	Exclusion from Index
31-05-2002	Videsh Sanchar Nigam Ltd.	Inclusion into Index
31-05-2002	ICICI Ltd.	Exclusion from Index
10-10-2002	Shipping Corporation of India Ltd.	Inclusion into Index
10-10-2002	Reliance Petroleum Ltd.	Exclusion from Index
28-10-2002	Bharat Petroleum Corporation Ltd.	Inclusion into Index
28-10-2002	HCL Technologies Ltd.	Inclusion into Index
28-10-2002	Procter & Gamble India Ltd.	Exclusion from Index
		Exclusion from

28-10-2002	Asian Paints Ltd.	Index
02-05-2003	Gas Authority of India Limited	Inclusion into Index
02-05-2003	National Aluminium Co. Ltd.	Inclusion into Index
02-05-2003	Novartis India Ltd.	Exclusion from Index
02-05-2003	Castrol (India) Ltd.	Exclusion from Index
04-08-2003	Steel Authority of India Ltd.	Inclusion into Index
04-08-2003	Nestle India Limited	Exclusion from Index
01-03-2004	Bharti Tele-Ventures Ltd.	Inclusion into Index
01-03-2004	Maruti Udyog Limited	Inclusion into Index
01-03-2004	GlaxoSmithkline Consumer Healthcare Ltd.	Exclusion from Index
01-03-2004	NIIT Ltd.	Exclusion from Index
12-04-2004	Oil & Natural Gas Corporation Ltd.	Inclusion into Index
12-04-2004	Digital Globalsoft Ltd.	Exclusion from Index
24-05-2004	Punjab National Bank	Inclusion into Index
24-05-2004	Larsen & Toubro Ltd.	Exclusion from Index
10-12-2004	Larsen & Toubro Ltd.	Inclusion into Index
10-12-2004	Britannia Industries Ltd.	Exclusion from Index
25-02-2005	Tata Consultancy Services Ltd.	Inclusion into Index
25-02-2005	Indian Hotels Co. Ltd.	Exclusion from Index
26-09-2005	Jet Airways (India) Ltd.	Inclusion into Index
26-09-2005	Colgate Palmolive (I) Ltd	Exclusion from Index
27-06-2006	Suzlon Energy Ltd.	Inclusion into Index
27-06-2006	Siemens Ltd.	Inclusion into Index
	Shipping Corporation of	Exclusion from

27-06-2006	India Ltd.	Index
27-06-2006	Tata Chemicals Ltd.	Exclusion from Index
01-09-2006	Reliance Communications Ltd.	Inclusion into Index
01-09-2006	Tata Tea Limited	Exclusion from Index
04-04-2007	Reliance Petroleum Ltd.	Inclusion into Index
04-04-2007	Sterlite Industries (India) Ltd.	Inclusion into Index
04-04-2007	Jet Airways (India) Ltd.	Exclusion from Index
04-04-2007	Oriental Bank of Commerce	Exclusion from Index
24-09-2007	NTPC Ltd.	Inclusion into Index
24-09-2007	Dabur India Ltd.	Exclusion from Index
05-10-2007	Unitech Ltd.	Inclusion into Index
05-10-2007	Indian Petrochemicals Corporation Ltd.	Exclusion from Index
12-12-2007	Idea Cellular Ltd.	Inclusion into Index
12-12-2007	Cairn India Ltd.	Inclusion into Index
12-12-2007	Mahanagar Telephone Nigam Ltd.	Exclusion from Index
12-12-2007	Hindustan Petroleum Corporation Ltd.	Exclusion from Index
14-03-2008	DLF Ltd.	Inclusion into Index
14-03-2008	Power Grid Corporation of India Ltd.	Inclusion into Index
14-03-2008	Glaxosmithkline Pharmaceuticals Ltd.	Exclusion from Index
14-03-2008	Bajaj Auto Ltd	Exclusion from Index
10-09-2008	Reliance Power Ltd.	Inclusion into Index
10-09-2008	Dr. Reddy's Laboratories Ltd.	Exclusion from Index
12-01-2009	Reliance Capital Ltd.	Inclusion into Index
	Satyam Computer Services	Exclusion from

12-01-2009	Ltd.	Index
27-03-2009	Axis Bank Ltd.	Inclusion into Index
27-03-2009	Zee Entertainment Enterprises Ltd.	Exclusion from Index
17-06-2009	Jindal Steel & Power Ltd.	Inclusion into Index
17-06-2009	Reliance Petroleum Ltd.	Exclusion from Index
22-10-2009	Jaiprakash Associates Ltd.	Inclusion into Index
22-10-2009	Infrastructure Development Finance Company Limited	Inclusion into Index
22-10-2009	Tata Communications Ltd.	Exclusion from Index
22-10-2009	National Aluminium Co. Ltd.	Exclusion from Index
08-04-2010	Kotak Mahindra Bank Ltd.	Inclusion into Index
08-04-2010	Grasim Industries Ltd.	Exclusion from Index
01-10-2010	Sesa Goa Limited	Inclusion into Index
01-10-2010	Dr. Reddy's Laboratories Ltd.	Inclusion into Index
01-10-2010	Bajaj Auto Ltd.	Inclusion into Index
01-10-2010	Unitech Ltd.	Exclusion from Index
01-10-2010	Idea Cellular Ltd.	Exclusion from Index
01-10-2010	ABB India Ltd.	Exclusion from Index
25-03-2011	Grasim Industries Ltd.	Inclusion into Index
25-03-2011	Suzlon Energy Ltd.	Exclusion from Index
10-10-2011	Coal India Ltd.	Inclusion into Index
10-10-2011	Reliance Capital Ltd.	Exclusion from Index
27-04-2012	Asian Paints Ltd.	Inclusion into Index
27-04-2012	Bank of Baroda	Inclusion into Index
	Reliance Communications	Exclusion from

27-04-2012	Ltd.	Index
27-04-2012	Reliance Power Ltd.	Exclusion from Index
28-09-2012	Lupin Ltd.	Inclusion into Index
28-09-2012	UltraTech Cement Ltd.	Inclusion into Index
28-09-2012	Steel Authority of India Ltd.	Exclusion from Index
28-09-2012	Sterlite Industries (India) Ltd.	Exclusion from Index
01-04-2013	IndusInd Bank Ltd.	Inclusion into Index
01-04-2013	NMDC Ltd.	Inclusion into Index
01-04-2013	Siemens Ltd.	Exclusion from Index
01-04-2013	Wipro Ltd.	Exclusion from Index
27-09-2013	Wipro Ltd.	Inclusion into Index
27-09-2013	Reliance Infrastructure Ltd.	Exclusion from Index
28-03-2014	Jaiprakash Associates Ltd.	Exclusion from Index
28-03-2014	Ranbaxy Laboratories Ltd.	Exclusion from Index
28-03-2014	Tech Mahindra Ltd.	Inclusion into Index
28-03-2014	United Spirits Ltd.	Inclusion into Index
19-09-2014	United Spirits Ltd.	Exclusion from Index
19-09-2014	Zee Entertainment Enterprises Ltd.	Inclusion into Index
27-03-2015	DLF Ltd.	Exclusion from Index
27-03-2015	Jindal Steel & Power Ltd.	Exclusion from Index
27-03-2015	Idea Cellular Ltd.	Inclusion into Index
27-03-2015	Yes Bank Ltd.	Inclusion into Index
29-05-2015	IDFC Ltd	Exclusion from Index
		Inclusion into

29-05-2015	Bosch Ltd.	Index
28-09-2015	NMDC Ltd.	Exclusion from Index
28-09-2015	Adani Ports and Special Economic Zone Ltd.	Inclusion into Index
4/1/2016	Cairn India Ltd.	Exclusion from Index
4/1/2016	Punjab National Bank	Exclusion from Index
4/1/2016	Vedanta Ltd.	Exclusion from Index
4/1/2016	Aurobindo Pharma Ltd.	Inclusion into Index
4/1/2016	Bharti Infratel Ltd.	Inclusion into Index
4/1/2016	Eicher Motors Ltd.	Inclusion into Index
4/1/2016	Tata Motors Ltd DVR	Inclusion into Index
3/31/2017	Bharat Heavy Electricals Ltd.	Exclusion from Index
3/31/2017	Idea Cellular Ltd.	Exclusion from Index
3/31/2017	Indiabulls Housing Finance Ltd.	Inclusion into Index
3/31/2017	Indian Oil Corporation Ltd.	Inclusion into Index