Investment in delivery based trading Delivery based trading means buying shares and holding them for certain period of time is called delivery based trading. The shares you bought will be in your demat account.

Once you take delivery of shares you can hold them as long as you want. To take delivery of shares, you must have sufficient funds in your account. You don't get any margin to buy shares in delivery.

If you have Rs.5000 means you can buy shares worth of Rs.5000 and not more than this.

Tips for shares investment in delivery based trading Please study following points, carefully, and get best returns in short period of time. Basically, Delivery based trading can be minimum one week, one month or couple of months. How long to hold your scrip's/shares will depend on other technical indicators and averages.

How to select best scrip's There are thousands of shares/stocks, which one is best for delivery trading and which one will give maximum profit in short period of time. Please have a look following selection criteria points.

Points to remember for fundamental screening,

1.Sector - 50% of stocks rise and fall is directly related to the strengths and weakness of its industry group.
2.Never lose more than 1-2% of your total amount on any one trade.
3. Promoters holding more than 40% indicate safety for retail investors. (Promoters - who run the company).
4. FII holding minimum 20 and maximum 25 is safe for retailer, not much volatility. More FII investment = more volatility.
5. Liquidity - buying and selling of shares minimum 1L/day

• Consistent earnings - Generating profit consistently year after year or quarter after quarter
• EPS - Earning per share is calculated by taking a company's net earning and dividing by the numbers of outstanding shares of the stock the company has.Note - Last year's EPS would be actual, while current year and forward year EPS would be estimates.
• P/E Ratio - EPS is a great way to compare earnings across companies, but it doesn't tell you anything about how the market values the stock. That's why fundamental analysts use the P/E ratio, to figure out how much the market is willing to pay for a company's earnings.
P/E Ratio = Price of the share/EPS Higher the PE ratio, more people are convinced to pay high for that share expecting higher growth in coming future.
• Dividend yield - It is calculated by taking the amount of dividends paid per share over the course of a year and dividing by the stocks price. Its percentage return a company pays out to its share holder in the form of dividends. The higher the better.
• Price/Book ratio - The higher the ratio the higher price the market is willing to pay for the company above its assets. Its more useful to value investor than growth investor.
• Price/Sales ratio - As with earning a book value, you can find out how much the market is valuing a company by comparing the company's price to its annual sales.
Low Price/Sales ratios (below one) are usually thought to be the better investment since their sales are priced cheaply.
P/S ratios are usually used only for unprofitable companies, since such companies don't have a P/E ratio.
• Returns on Equity (ROE) - It is used as a general indication of the company's efficiency, in other words, how much profit it is able to generate given the resources provided by its stockholders.

Investors usually look for companies with ROE that are high and growing.
• Debt to equity ratio - This should not be more than 1, and less than 1 indicates company has very less debt. This is very important during market down trend as company has to pay lots of interest ratio beside low profitability. So its good sign, if company has less debt and that is debt equity ratio.

Investment tips in Delivery based trading

Remember following points to increase your profit and reduce losses,
• Buy shares of different companies
Don't ever try to put all your money in single share. Try to get shares of multiple companies and if possible from different sectors. You will always get benefited by investing in companies of different sectors, because we never know which sector will have good news and which sector will have bad news. "Market always reacts for news."

• Be Patient
When you buy shares, they may go down. In share market its general practice that shares go up and down. If they go down than don't panic and sell your shares.Most of the investors/traders wait till their shares come to their buying level and then sell, but generally they forget that is the actual buying level of shares and from this level onwards the share price will start moving upwards.

Corporate investment for long term trading

• Taking delivery of shares during Q1, Q2, Q3 and Q4 results is very common among investors/traders who knew the historical performance and current market situation of those particular companies or sector, so study historical yearly profits and sales ratios of top companies and buy shares of those companies.
Some weeks before, their quarterly results and after declaring their huge growth in quarterly results, obviously share price will shoot up then you may sell your shares and make handsome profit in very few weeks.
• If you hold bit longer, then you may also get benefited of dividend. If companies make outstanding profit then they may declare dividend.

Technical indicators for Delivery based trading

It's very important to make use of technical indicators in Delivery based trading. As this topic is very vast, we will try to brief about important indicators to use.
You can use following indicators for entry and exit signal, over bought and over sold levels etc.
• MACD
• RSI
• Moving Averages

Returns on investment in Indian companies

There are very important benefits of Delivery based trading

• Hold as long as you want
If you buy shares and if it goes down, then you can hold them and sell them only when your shares go above your buy price.
• Loan
Nowadays some banks and some financial firms provide loans on your shares. So you can utilize your shares in your bad times.
• Dividend (very important)

If companies make good profit, then they may declare dividend per share. If you hold shares of such companies then you may get dividend per share.

• Good returns

Nowadays if you keep your money in banks then you get maximum 9% or 9.5% per year. If you invest in shares of good growing companies then you can earn minimum 15% returns per year. Some companies give 30 to 40% returns per year. Best share market returns are based on delivery based trading for long term.

• Bonus share

If company makes extra ordinary profit then company may declare bonus shares. Bonus share like 1:1 means if you have one share then you may get another free.
So if you have delivery of such shares then you are liable for such bonus shares.

Money making opportunities for long term

It become very important to decide for delivery based trading that how long to hold shares of a company-------right?

Please watch on following two important points,

• Watch Q1, Q2, Q3, Q4 results of a company and check whether company is declaring/posting consistent profit or sales, its very important for a company to declare quarterly results in good profit percentage in order to prove its consistent growth in the market.

• Declaration of future plans, expansions, acquisitions, mergers etc. Any good such plans can boost companies profit, so you may plan to hold such shares. Such plans are very important.

Financial planning for your share returns

It's another important point to consider, if you hold more than one share then it is always advisable to prepare technical document for all your shares.

You can prepare excel or word sheet on your computer or you can write in your notebook.

Points to involve/write with date

• All quarterly results - Including profits and sales ratio and other financial ratios
• Declaration of bonus or dividend.
• Declaration of acquisition, expansions etc
• Weekly volume, close price, PE ratio, any company news etc.

In this manner you will come to knew what is happening about your share and you can decide when to sell or till what period to hold. This system is called portfolio maintaining. Even you can keep a close watch on share which you are planning to buy and if you get proper signal or feel comfortable with its quarterly results or news/future plans, then you can jump and buy that share.