Shree tisai Consultant Private limited

Newcomer to share market

What is Share and Share market?
What is share?
The public limited companies have shares. A Share represents an ownership in a Company.
For example - If you buy a share of any company then you are the owner of that company. "The ownership depends on the number of shares you hold or the percentage of shares you hold". A founder, chairman or board of directors hold, mostly, majority of the shares of the Company so they are considered as major decision makers.

What is Share market?

The general term 'market' is the place where buying and selling takes place likewise Share market is the place where the buying and selling of shares take place.
Note - Now a days due to revolution of internet and computer the buying and selling of shares can be done from anywhere in the world with the help if computer and internet connection.

Some facts about share market
i) Share market can be considered as business or job, either part time or full time job.
ii) Its all about learning and experience.
iii) It requires consistency in learning.
iv) Requires full dedication
v) Don't misunderstand that Share market will make you millionaire in one night.

What Share market is not ?
i) Overnight rich scheme or business.
ii) It is not a magic or quick money maker.
iii) It is not for seasonal earning but once experienced can make it seasonal activity.
iv) It is not for them who totally want to depend on tips.

What is investing and who is the Investor?
Basically there are two types of people in share market - Investor and Trader

who is Investor?
A person who invests his/her money in company's performance to get good returns during long term is called as Investor.
Investor buy shares of the company that he feel is having good business and fundamental and in next couple of years the share price of the company would go up and provide good returns.

Facts about Investing/Investor
i) Investing doesn't require you to be in front of the market throughout the day. At the same time it is always advantageous to keep self updated with market happenings.
ii) As the investing doesn't require you to be in front of the day whole day, the investing can be considered as part time job or part time business.
iii) Investing can be done from 6 months to couple of years like 5 years, 10 years, 15 years and even for 20 years.
iv) Please note that "Our Indian History" shows that investing in share market for long years have always provided excellent returns compared to any other investment option. So people knowing this fact stay

invested in share market for long term and get benefited.
No any other investing method provides returns that can be matched with share market returns during longer period.

Example of Investing
Investing in new company or high debt (loan) company
Analysis is required to invest in such companies. During initial years/months the share price may not increase but once the company starts making profits the share price would increase. It has been seen that in first 2 to 3 years the share price may not rise but in 4th or 5th year the stock would provide excellent returns (may be around 2 to 4 times returns).

Risk -
If you do invest in companies without analysis and knowledge then it is risky. If you buy shares of the company having strong fundamentals and stay invested for 2 to 5 years then definitely it would provide excellent returns. It is risky to buy shares of the company without studying the company.

What is Trading and who is the Trader?
The mean of trading is buying and selling and share trading means buying and selling of shares.

Who is the trader?
Trader who does buying and selling of shares is called as share trader.
ii) Trader do buying and selling of shares without concern of company's performance rather they do technical analysis and opportunity finder.
iii) Trader is not interested to know how well the company is doing.
iv) Trader's are basically opportunity finder - Opportunity can be of any good news or bad news or any government declaration or any company's announcement, any opportunity that makes the movement in the share price interests traders and they take respective positions in that particular share.
v) Traders keep themselves updated all the time and hence the trading has considered as full time business/job.
vi) Trader do very frequent buying and selling of shares on daily basis, weekly basis and on monthly basis

Risks Involved -
Trading involves very high risk and it can wipe out all the money/capital.
So basically we advice, to first learn and do paper trading practice and if you get success in paper trading then go for real trading with money.
Trading involves very high risk and hence provides high returns in small span of time.
Please note - W have posted various trading strategies, methods, techniques including stock picking patterns for all types of traders on our website.

Precaution for trading -
Trading requires lots of market knowledge and experience so we do not recommend trading for new comers.
We daily receive lots of email from new comers that they have made huge losses in trading. So we always recommend learning and then do paper trading practice before actual starting trading with money.

What you want to do?
It is always advisable to plan and then act. Decide based on your availabilities whether you want to become investor, trader or both.
i) If you can spend entire day in front of the market and ready to take risk then trading can selected because trading involves big risk and can wipe out all your money.

For new comers it is required to spend 6 to 8 hours for market. So while trading, investing can also be done because investing is not all daily activity.

ii) Investment - If you can't provide more than 6 to 8 hours in a day to market then better you prefer investing in shares instead of trading. So if you are working professional and want to have part time job or side business then investing in shares would be preferred.

So selection of method to enter into share market is totally depends on you and your ability to provide time and ready to take level of risk.
Investing has low risk and trading has high risk.

Warning Message -
As every business carries the risk likewise the share market also carries risk.
Basic of Indian share market
Index in share market
Index consists of group of shares. Index denotes the direction of the entire market. Like when people say market is going up or down then that means Index is going up or down. Index consists of high market capitalization and high liquidity shares.
High Market capitalization shares - Companies having highest number of shares and highest price of each share.
Market capitalization is calculated by multiplying current share price and number of shares in the market.
High Liquidity shares - Shares in the market with high volumes.

Two types of Indices
Nifty and
Sensex

Nifty - Nifty consist of a group of 50 shares.
Sensex - Sensex consist of a group of 30 shares.

Stock exchanges
Mainly there are two exchanges in India.
NSE (National stock exchange) - Nifty is listed with NSE.
BSE (Bombay stock exchange) - Sensex is listed with BSE.
NSE and BSE are countries economic barometer.

Stock exchanges like NSE and BSE are the places where the trading of shares takes place.
Process of share market

First let us understand the Working of a share market
To learn about how you can earn on the stock market, one has to understand how it works.
When a person want to buy/sell shares in the share market then he has to first place the order with a broker or can do themselves using online trading systems (this will be discussed later).
When you place the buy order, the message is transferred to the exchange [either NSE {National Stock Exchange} or BSE {Bombay Stock Exchange}] and the order stays in the queue of exchange's other orders and gets executed if the price of that share comes to that value. Once you get the confirmation of this transaction, the shares purchased, will be sent to your demat account. The shares will be stored in demat account in electronic format.

Rolling Settlement Cycle: (RSC)

RSC means when you will get your shares in your demat account.
In a rolling settlement, each trading day(T) is considered as a trading period and trades executed during the trading day(T) are settled on a T+2 basis i.e. trading day plus two working days. So the conclusion is on forth working day you will get the shares in your demat account.

What is Demat account and why it is required?
Securities and Exchange Board of India (SEBI) is a board of India appointed by the Government of India in 1992 with its head office at Mumbai. Its one of the function is helping the business in stock exchanges and in other security markets. In another word it is the regulator for stock exchanges. It monitors and regulates both stock exchanges in India.

a) Demat (short form of Dematerialization) is the process by which an investor can get shares (also called as physical certificates)
converted into electronic form maintained in an account with the Depository Participant (DP).

b) DP could be organizations involved in the business of providing financial services like banks, brokers, financial institutions etc. DP's are like agents of Depository.

c) Depository is an organization responsible to maintain investor's securities (securities can be shares or any other form of investments) in the electronic form. In India there are two such organizations called NSDL (National Securities Depository Ltd.) and CDSL (Central Depository Services India Ltd.)

d) Investor's wishing to open Demat account has to go DP and open the account.

e) Opening the Demat account is as simple as opening the saving bank account with any bank.
As you need bank account to save money, deposit cheques etc, likewise you need to have a demat account to buy and sell stocks in share market and to hold the shares.

f) All shares what you own will show in your demat account, so you don't have to possess any physical certificates. All your shares are all held electronically in your demat account.
As you buy and sell the shares, accordingly, your shares will get adjusted in your demat account.

Demat account is must
YES. Demat account is must. The market regulator, the Securities and Exchange Board of India (SEBI), has made it compulsory to open the demat account if you want to buy and sell shares in Indian share market. So a demat account is a must for trading and investing in share market.

How to open a Demat account?
You have to approach a Depository Participant (DP) to open a Demat account. Most banks are DP participants so you can approach them or else you can contact us. To have latest list of registered DP please visit websites www.nsdl.co.in and www.cdsl.com .A broker and a DP are two different people. A broker is a member of the stock exchange, who buys and sells shares on his behalf and also on behalf of his customers. A broker can also be a DP.

Following are the documents required to open Demat account
When you approach any DP, you will be guided through the formalities for opening a demat account. The DP will ask to provide some documents as proof of your identity and address. Below is a list of documents out of which you have to submit one or two.
PAN card, Voter's ID, Passport, Ration card, Driver's license,
Photo credit card Employee ID card, IT returns, Electricity/ Landline phone bill etc.

Do you need any shares to open a Demat account?
NO. You need not have to have any shares to open a demat account. A demat account can be opened with no balance of shares.
And also there is no restriction to maintain any minimum shares. You can have a zero balance (shares) in your account.

How much it cost to open a Demat account?
The charges for demat account opening varies from broker to broker of from DP to DP.Generally some broker charge one time account opening fees but currently due to high competition they are offering free account.To have latest charges please visit websites of www.nsdl.co.in and www.cdslindia.com or else you need to contact the specific broker.

Finally
After successfully opening the demat account you are ready to do buying and selling of shares in share market exchanges like BSE and NSE.

Important points to remember while opening online demat account
1) Do multiple enquiries with various brokers or DP's and try getting low brokerage charges.
2) Also discuss about the margin they provide for day trading.
3) Discuss about fund transfer facility. The fund transfer should be reliable and easy. Fund transfer from your bank account to trading account and fund payout from your trading account back to your bank savings account. Some online share trading account has integrated savings account which makes easy for you to transfer funds from your saving account to trading account.
4) Very important is about service they provide, the research calls, intraday or daily trading tips.
5) Also enquire about their services charges and any other hidden fees if any.
6) Check how reliable and easy is to contact them in case of any emergency, like buying and selling of shares on immediate basis or in case of any technical or other problems at your side while trading yourself.
7) You can also request to broker for demonstration of the trading terminal software and check how comfortable it is for you.
There are various brokers and DP, please contact us for more information of brokers.

Type of Markets
Basically there are two types of markets.
1. Primary market
2. Secondary market

Primary Market
A primary market is a place where companies, government and other corporate bodies sell new shares and other financial products which are also called as financial products. In primary market trading is not allowed.
Like any newly listed company sells IPO (initial public offer) then it happens in primary market or whenever any already exiting company goes public then at that time it issues an IPO in primary market.

Secondary market
A market place where actual share trading (buying and selling) takes place is called secondary market. Majority of share trading in India happens in top two exchanges called NSE and BSE.

Difference between Trader and Investor

Trader
Buying and selling of shares based on technical analysis or market trend taking into consideration very short duration like from a single day to couple of days is called trader. Mostly trading is done throughout the day and wit is called as day trading or intraday trading.
Trader buys and sells the stock and he is not worried about the company's performance or how good the company is.

Investor
Buying shares after analyzing the fundamentals of the company and holding them for long term like from couple of months to couple of years is called as Investor. Investor buys a company only after analyzing its worth. If the current stock price is available at discount (undervalued) then he buys it for long term prospective.

Types of Trading and Investments

Basically trading and investing are two different methods of earning money in share market.

Trading is done on stock price for a day or for couple of days.Trader is not worried about company performance; he is only worried to book profits whenever the share price rises.
Basically there are two types of trading methods
1. Day trading and
2. Swing trading.

1. Day trading

Buying and selling of shares on daily basis is called day trading.Day trader don't carry stocks to next day, he square off the positions (shares) on same day.
Mainly there are two types of day traders.
i. Scalp trading
ii. Momentum trading

i) Scalp Trading
A scalp trader buys and sells shares at very low profits (margins) and does multiple trades on daily basis.

ii) Momentum Trading
A momentum trader identifies the trend and buys shares at bottom and sells at the high of the trend.He may do one or two trades or at the most three trades in a day.He may not do as multiple trades as scalp trader on daily basis.

2. Swing Trader

A swing trader is just like a day trader but swing trade may hold the shares (positions) for couple of days like 4 to 5 days, while day trader doesn't hold shares even for next day.
Swing trader basically trades based on news, breakout and breakdown in technical charts, based on volume surge, based on up and down trade etc.

Types of Investment

Basically there are three types of investment methods.
i. Short term investment
ii. Mid term investment
iii. Long term investment

i) Short term investment
Investment done from couple of weeks to couple of months is called short term investment. It is done based on breaking news, or based on charts of technical analysis.

ii) Mid term Investment
Investments done from couple of months to couple of years is called mid tem investment. It is done based on analysis of quarterly financial results or based on fundamental analysis.

iii) Long term investment
Investment done from one year to couple of years like 3 years, 5 years, 10 years etc Long term investment is basically done after thoroughly analyzing the fundamentals of the company and its future growth prospects. And also the wise investor invests in companies whose current share prices are undervalued but its future growth is huge. Generally long term investor is worry free from daily markets up and down and share prices volatility.
Note - There is no any hard and fast rule that investor follows any particular methods of investing method as mentioned above.

Meaning of Bid and Ask price

Bid Price
The bid price is the price at which buyers are ready to buy shares.
The bid price is also called as buying price.

Ask Price
The Ask price is the price at which sellers are ready to sell shares.
The ask price is also called as selling price or offer price

Company declares Quarterly Results
A listed company, either in BSE or NSE, declares their performance every quarter through out the day. Based on the performance of quarterly results market judge how the company is performing and if analysis shows that the company is doing well then its share prices goes up and if analysis found that company is not performing, as per expectation, then market reacts negatively to that company and the result is its share prices falls.

First quarter duration - April to June
Results declaration on - July

Second quarter duration - July to September
Results declaration on - October

Third quarter duration - October to December
Results declaration on - January

Forth quarter duration - January to March
Results declaration on - April

Forth quarter is considered as end of financial year end.

IPO (initial public offer)

As the name indicates initial public offer, it is the initial stage of the share in the primary market. After issue is complete IPO becomes share and comes into secondary market and market participant's start trading or investing on this share. Whenever a new company gets listed on stock exchanges it issues IPO or any existing company (either private limits company or single owner company) want to go public then at that time it issues IPO.

Main intention of offering IPO's

- Either to raise capital (money) for company's expansion plans etc
- Or whenever an already existing company goes public.

Future Derivatives

Future derivative is the product whose value (price) depends in underlying security (assets) Underlying assets are like equity (share/stock), indices (nifty, Jr. Nifty), commodity etc. Future trading can be done on stocks as well as on Indices like IT index, Auto index, Pharma index etc. In simple language one future contract is group of stocks (one lot) which has to be bought with certain expiry period and has to be sold (squared off) within that expiry period. Suppose if you buy futures of Wipro of one month expiry then you have to sell it within that one month period.

Options

An option is a contract that gives the buyer the right, but not the compulsion, to buy or sell an underlying asset at a specific price on or before a certain date. Underlying assets are like equity (share/stock), indices (nifty, Jr. Nifty), commodity etc.

Calls and Puts

The two types of options are calls and puts:

A call gives the holder the right to buy an asset at a certain price within a specific period of time. Calls are similar to having a long position on a stock. Buyers of calls hope that the stock will increase before the option expires.

A put gives the holder the right to sell an asset at a certain price within a specific period of time. Puts are very similar to having a short position on a stock. Buyers of puts hope that the price of the stock will fall before the option expires.

Note - Currently we are in the process of writing more about options and how to trade on them and very soon we will post them on website. For more information please visit our Options section.

Mutual funds

A registered company with SEBI (securities exchange board of India) does investments in various financial products like share market, government bonds, securities etc on behalf of customers is called mutual fund.

There are various mutual fund companies in the market and few are mentioned below,

Sundaram, Reliance, SBI, HSBC, Birla and many more.

The mutual fund companies collect money from customers and invest on their behalf in various financial products.

Investors who don't want to expose to share market directly or who doesn't have much knowledge of share market they prefer to invest in equity related mutual funds. Mutual funds consist of fund manager who manages all investments.

Learn Indain stock market trading.

Important terms in share market and in share trading

• **Open** - The first price at which the stock opens when market opens in the morning.
• **High** - The stock price reached at the highest level in a day.
• **Low** - The stock price reached the lowest level in a day.
• **Close** - The stock price at which it remains after the end of market timings or the final price of the stock when the market closes for a day.
• **Volume** - Volume is nothing but quantity.
• **Bid** - The Buying price is called as Bid price.
• **Offer** - The selling price is called offer price.
• **Bid Quantity** - The total number of shares available for buying is called Bid Quantity.
• **Offer Quantity** - The total number of shares available for selling is called Offer Quantity.
• **Buying and selling of shares** - Buying is also called as demand or bid and selling is also called as supply or offer. First selling and then buying (this only happens in day trading) is called as shorting of shares or short sell.
• **Share Trading** - Buying and selling of shares is called share trading.
• **Transaction -** One complete cycle of buying and selling of shares is called One Transaction.
• **Squaring off -** This term is used to complete one transaction. Means if you buy then have to sell (means square off) and if you sell then you have to buy (means square off).
• **Limit Order -** In limit order the buying or selling price has to be mentioned and when the share price comes to that price then your order will get executed with the price mentioned by you.
• **Market Order** - When you put buy or sell price at market rate then the price get executes at the current rate of market. The market order get immediately executed at the current available price.
• **Stop Loss Orders -** Stop loss orders ("stops") are limits set by traders at which they will automatically enter or exit trades - an order to buy or sell is placed in the market if price reaches a specified limit. A stop loss order is set to limit a trader's potential loss. The stop loss is placed below the current price (to protect a long position) or above the current price (to protect a short position).

Learn Indian share Market Trading

Types of Share trading
Methods of buying and selling

What is called share trading in share market?
Trading means buy and selling and share trading means buying and selling of shares in share market.

Types of Share Trading

Mainly there are two ways of share trading.
1) Online Share Trading
2) Offline Share Trading

A) Online Share Trading

Doing share trading with help of computer, internet connection and with trading and demat account is called Online Share Trading. If you would like to do online share trading then you need to have a computer, internet connection and online trading account. If you are planning to do trading yourself then opening online share trading account is advisable.Basically people use online share trading who want to trade themselves.

Essential of Online Share Trading

1) Online trading account - You have to open an online trading account with any of the bank or financial trading system like There will be nominal annual charges but in fact nowadays some of them are offering free accounts.
To have the list of brokers please see the bottom of this page. Please also read the certain precautions which you need to take while opening the demat and trading account.
2) A computer with internet connection but nowadays some people do trading in internet cafe. Due to fall in electronic prices the computers are available at very affordable prices in the market. If you have electricity problems then you also need to have inverter.
Nowadays you can get internet enabled on your cell phone (which is called GPRS) whose speed will be sufficient to do trading and also the charges of GPRS are very nominal. Also internet broadband connection is available.
3) After successfully opening the online trading account you will receive the username and password with the help of which you can login in online trading system and trade yourself.
4) The trading system executive (with whom you opened trading account) will help you initially about how to use the online trading system.
But in fact you can request for demonstration of their trading system before you open the trading account with them. Once you get familiar with the system then you can trade yourself at your home or in the internet cafe.

Benefits of Online Share Trading

1) There is no need to depend on any broker or anybody else to place the order or to square off your order. In short you are the boss of your own to do trading (buying and selling) of shares.
2) Its reliable, convenient and you can take your own decisions yourself by actual seeing or analyzing the market on the computer screen instead of calling the broker all the time.
3) It's not possible or practical for a broker to update you about each and everything about the share market, news which will influence or affect the share market. Because he may be having many other customers like you and even if he updates you it would be late and this news would have been affected the concerned sector or share. So if you are doing online trading yourself, then you may save yourself from big disaster by booking profit or by coming out of the stock.
4) You will get news and updates on various websites and also on your online trading system and most of the information will be free of cost.
Please note - "Always remember share market always get influences (or affected) by the appropriate news. So get updated or be in touch with news all the time. This will benefit you always.
5) By doing online trading yourself, you can see and judge where market (or your share) is heading by seeing different graphs online yourself, which is not possible if you're trading through broker. Some online trading systems have graphs integrated in their system, so your job is to just add those graphs and check the status of current market (or share) and depending on your analysis you can take steps towards successfully trading. (How to analyze graphs are mentioned in different sections).
6) All your transactions and related documents can be seen online and can also be downloaded to your PC without depending on your broker. You can also check the status of your amount on daily basis through you online trading system.

B) Offline Share Trading

Doing share trading with the help of broker or through telephone is called offline share trading.In other words trading will be done by another person on your behalf based on the instructions given by you. The other person would be a broker. The broker will do buying and selling of shares on your behalf depending on the instructions given by you. So in offline share trading you don't need to have computer, internet connection but you need to have the offline demat account.

Different methods of buying and selling of shares

Following are the two methods of buying and selling of shares in Indian share market.
1) Market Order
2) Limit Order

1) Market Order

When you put buy or sell price of a stock at market rate or select market order option in trading terminal then the price get executes at the current rate of market. The market order gets executed immediately at the current available price. In market order the shares will get executed at the best current available price. Market order is used if you want to execute your order very fast and at available price. If you wish to buy or sell shares at any specific price then market orders is not suitable for you then have to go for limit order. Market order is for those who want to buy or sell immediately at the current available price.

2) Limit Order

It's totally different from market order. In limit order the buying or selling price has to be mentioned and when the share price comes to that price then the order will get executed. But here it's not sure that the price will come to your limit order and the order get executes. In other words in limit order the specific price is mentioned and trader or investor wait till the stock price reaches that price and once the stock price reaches that price then the order will get execute. Day traders has to take very precaution while using limit order, especially who make use of margin amount In day trading, because you have to close all your transactions before 3:30 PM and if in case the price doesn't reach to your limit order then your order will be open (pending) and then you have to go through the penalties.
Importantly limit order and stop loss order are used together to minimize the risk.

Stop Loss Order

Stop loss orders are used to reduce or to minimize the losses. This is very important term especially if you are doing day trading (intraday trading).Stop Loss order as the name indicates this is used to reduce the losses. In Stop loss order the trigger price has to be mentioned, by the trader, and once the price reaches the trigger price the order get executed with the best price available between the trigger price and the limit price. For example - Suppose the trader bought the Reliance Industries at Rs 1000.So he puts the following order to protect his losses.The limit order of Rs 990 and stop loss trigger price at Rs 985. So if the reliance industries stock price starts falling and if it reaches 985 then his trade executes with the current market available price.

Note - The stop loss trigger price is placed below the limit price in buy order and above the limit price in sell order.

2) Offline Share Trading

Doing share trading with the help of broker or through telephone is called offline share trading. In other words trading will be done by another person on your behalf based on the instructions given by you. The other person would be a broker. The broker will do buying and selling of shares on your behalf depending on the instructions given by you. So in offline share trading you don't need to have computer, internet connection but you need to have the offline demat account.

Different types of Share trading

1) Day trading and
2) Delivery trading (it is also called as investing) are the two main types of share trading.

1) Day trading

Buying and selling of shares on daily basis is called day trading; this is also called as Intraday trading.

Whatever you buy today you have to sell it today OR whatever you sell today you have to buy it today and very importantly during market hours that is between 9.55 am to 3.30 pm (Indian time). In day trading, brokers provide margin to do trading. Means you get extra amount for day trading. Suppose if you have 10,000 rupees in your account then you can buy and sell shares worth rupees 40,000 (four times more - basically margin amount depends on your broker). So if you use margin amount for day trading then you have square off your shares before market closes irrespective of share price or whether you are making loss or profit.

Please note - If you don't use margin amount and trade only with your available amount then no need to square off your positions. For example if the you buy some shares and the share prices falls then you can hold them and take delivery and sell them whenever the share prices increases.

Important note - New comers should not start by day trading as it is very risky.
Day trading requires lots of knowledge including share, entire share market, global markets, news and many more parameters.

2) Delivery Trading

In Delivery Trading, as the name say, you have to take the delivery of shares and after getting these shares in your demat account you can sell them at anytime (or you can hold them till you want, there is no restriction). In delivery trading you need to have the amount required to buy share in other words you don't get margin amount as you get in day trading
For example - If you want to buy 10 shares of Reliance at price 1200 than you must have (100x1200) Rs 12,000 in your account; once you purchased these shares will get deposited in your demat account (after trading day and 2 additional days). Then you can sell these shares when the price of these shares goes up or else you can hold them as long as you want.

Please Note - First you have to buy and sell. You can't sell before buying in delivery trading while it's possible in day trading which is called as short selling.

Fundamental and Technical analysis in Indian Share Market

Basically the investment and trading decisions are done with the help of two important tools.
1) Fundamental analysis
2) Technical analysis

Above mentioned two tools are widely used by investors and share traders but analyzing differs from traders to traders or from investor to investor.
First of all let's see what these tools mean -

1) Fundamental Analysis

The name itself indicates that this analysis is totally based on companies' fundamentals. Basically the fundamental analysis is used to analyze the company fundamentals for mid term to long term investment or even some analyst use for short term investment especially during the announcement of quarterly results. Like if the company is going to declare the good quarterly results then investors buy them before the results announcement, like one month before, and sell them as the price increases after the result announcement.
Following are the few fundamental parameters used to forecast and analyze the companies current and future growth. Like,
• What is the company all about?
• The analysis of quarterly, half yearly and annual financial reports.
• What are the Company's expansion and future plans?

• How is the Management - like board of directors, chairman, CEO etc
• The Companies involvement in foreign investment/collaboration or stake etc. and finally depending on these factors and many others, fundamental analysts have prepared certain fundamental ratios which will be used to forecast the company's current valuation, future growth prospects, its debt and many more things.

Fundamental Ratios like -
• PE (price to earning) ratio
• EPS (earning per share) ratio
• Book value
• Working capital ratio
• Return on equity ratio
• Debt equity ratio

Based on these terms and other fundamentals terms, the analysts predict the movement of share prices whether it will be good investment or bad investment in coming future.

2) Technical Analysis

Technical analysis is second analysis tool for short term or for day trading. As fundamental analysis is used for long term investments analysis likewise technical analysis is made for day trading or short term trading.
Technical analysis is nothing but study of charts made of four important numbers which are open price of the share, high, low and closing price of the share. Technical analysis also make use of volumes, support and resistance levels, technical indicators and other parameters which are useful to analyze the share price movements in short term or in day trading.

Trading and investment types

Day trading

Buying and selling of shares on daily basis based on market movements, global market movements, technical analysis, and previous volumes and many other related parameters is called as day trading.

What is the meaning of Short Term Trading or investing?

Share trading done from one week to couple of months is called short term. Basically technical analysis is used for short term trading. But as it there is no any fixed criteria for trading some traders even do short term trading based on news, Company's announcements of quarterly results, news of merger and acquisitions etc

Mid term Investing

Share trading done from one month to couple of months, say six months to one year or two years is called mid term trading. Fundamental analysis, Company's announcements of quarterly results, are the basic parameters used for mid term trading or investing. Some technical analysis even make use fo technical charts and indicators for mid term trading.

Long term Investing

Investment for couple of years is called long term investing. Long term investment may continue from one year to 10 years or even more. Long term analysis is purely based on fundamental analysis of the company. But it doesn't mean that once you do the fundamental analysis and invest for 5 years and forget

it. No. The financial quarterly results or half yearly results of the company should be revived and monitored how the company is performing
Information of online shares trading

Online Share Trading India

In Online share trading the trading is done by using computer and internet connection. In other words trading done through computer having internet connection is called online share trading. Instead of going to any share broker you can do trading yourself using online share trading method. In this method you must have a computer and internet connection or else you can make use of internet cafe. Nowadays due to internet facility lots of things have become easier as compared to earlier days. So making use of the great internet facility you can start your own online share.

What is offline share trading - Trading done through share broker is called offline share trading method.

Online share trading services in India

There are three primary things required to start online share trading.
Demat account (Trading account), a computer and internet connection or else you can go to internet cafe.

• Online Demat Account -

You have to open online trading account that is also called as demat account.

Points to remember while opening your trading account

• Enquire about brokerage rates and taxes you have to pay for your trading account.
• You have to open the trading account with the agent who is offering you the lowest brokerage rates.
• Different brokerage rates are available for different trading methods like delivery trading and intraday (day trading) trading.
• Before opening your account try to insist the agent to get demo of there online trading software or terminal and check your reliability and Speed.
• Also confirm about there charges and any hidden charges if you have to pay.

Please properly verify above points and then decide with whom you would like to open the trading account.Now you have your on online trading account, let's go for another most important requirement needed for you to start your online trading account.

Computer -

Second most important requirement is computer. Nowadays you get very good computer in very affordable price. You may also go for second hand (used) computer but its better to go for new one as they are available for very less prices.

Precaution - Get the computer configuration details and price and compare with other shops and then finalize your deal.Because the price of computer varies due to configuration so get proper configuration details.

NOTE - If you can't afford to buy a computer, then you can go to Internet café and do your trading. This method is also absolutely fine.

Internet Connection

Third requirement is your internet connection. Nowadays you get internet broadband connection very fast and very importantly at very less price. Following are the companies which provide broad band internet connection.
Tata broadband, Sify broad band, Reliance Broad band etc.

Precaution - Get proper price range and speed of the internet connection they are going to provide you. The price depends on internet speed and data they provide to you. So get proper confirmation and then go for that company's connection.

Another option

Alternate option for Internet Broad band connection is GPRS connection. GPRS connection is the internet connection has to be activated on your cell phone (mobile phone) and then the cell phone has to be connected to your computer. The GPRS connection is bit cheaper as compared to broad band connection

but you may get less speed as compared to broad band connection. The choice is yours.
On the second part the Airtel, Tata Indicom Reliance, Idea etc these all and many other provides GPRS connection and they will help you to set up your mobile phone with your computer for internet access.
Above three are the primary requirements for starting your own online share trading.
NOTE - If in case if you don't want to purchase a computer and don't want to get internet connection then you can go and trade in internet cafe. This is also absolutely possible and fine.
After getting your prime requirement for starting your online share trading now its time to start your share trading.

Things to know before starting your online share trading

Please make a note of following things before starting your online share trading.
• Must be aware of Share Market - You must be well aware about share trading, knowledge of share market and shares, fully aware of your
online trading software or terminal.
• Refer our website fully - To have basic idea about different types of share trading and other share market related information.
• Keep yourself updated - It always very important to keep updated yourself about latest news about share market and companies etc. it really helps you in share trading. "Share market always reacts to appropriate news"

Resources - To keep updated yourself you have to read financial newspaper like business standard, economic times etc. On the internet you can access/open financial related websites like www.businessstandard.com , www.economictimes.com , www.capitalmarket.com etc. On these websites you will get all news related to share market, government news, company's announcements etc which will affect the share market. Share market daily open at 9:00 am and closes at 3:30 pm, Saturday and Sunday are holidays for share market. If you open the financial websites before market opens then you will get the idea about today's share market movement, either it is bullish (going up) or bearish (coming down), (want to know other terms then please check our website) other information like movement of other Asian markets and USA market which has huge impact on our Indian share market. Asian markets start early then our Indian market.

Action Plan - Now you have to plan your action as you are ready will all the information required for share market. Now your action plan is to select shares which are I news or select shares from sector which is in news.Sector like IT, cement, Petrochemical etc. If there is news on any particular companies/shares or on any sector then definitely there will be movement, if the news is appropriate. During market hours also you have to keep alert about news. Always trade or select shares/companies which are involved in news. This is one of the easiest methods of tracking shares and doing trading on them. Also it is also always better that do some study and research before starting your trading. For example note down today's top gainers, top losers, and volume toppers etc and tomorrow keep a close watch on them this is also one method of selecting shares and trading on them. One more very important point is you should be always aware about news like when company is declaring its dividend, companies merger plans, demerger plans, quarter results, major acquisitions, collaborations etc . This type of news will definitely makes great movement on related company shares.

Learn Online Share Trading

There are very important benefits (advantages) of online share trading over offline share trading.
• No need to depend on broker -
First up of all you need not have to depend on any share broker for buying and selling of shares. Depending on broker may result in delay of buying and selling of shares which may in turn result in huge loss or less profit. If you are doing online share trading then you can execute your trades at any time because you are observing every movement of share market right in front of your computer screen.
• All updates on your computer screen -

As you have internet connection with you will get all updates of government news, companies' announcements, and corporate declaration etc during market hours. It's not so practically for your broker to provide you all the updates and news. So its very important point that you get all news, especially those news which affects share market right in front of your computer screen. "Share Market always reacts to appropriate news"

• Independent for your trades -

On the other part you will get all information of your traders on your computer screen. You can view yourself your profits and losses done and depending on your current situation you can plan your further trades. In other words you are totally independent for your trades from your broker. You are boss of your self.

Problems online share trading

As there are couples of good advantages there are also some technical disadvantages. As every coin have two sides.

• Disconnection from Internet - In online share trading there is the possibility that your internet connection may get slow or get stopped, this may result in disconnection from share market. At such critical times you have to call your executive (from whom you opened your trading account) and place your order or square off your pending orders.

• Computer Problem - If your computer stops functioning then this may also result in disconnection from share market at this time also you have contact your executive.

• Other Problem - Other problems like electricity disconnection. Solution for this is inverter or batter backup. Above all technical problems which may exist at any time and they are beyond our control means not in control.

Online share trading tips

• Do not over trade - Do not put all your money in share market.

• Do not put all your money in single share or single sector - Put or divide your money in multiple shares or sectors. This may reduce the risk of heavy loss.

• Do not panic or fear - Think twice before making your trade/plan and once done stick to it, don't panic or fear.

• Accept Loss - If you trade is going against you and if you are not sure about your trade then immediately accept the loss and come out of your trade. It will save you from heavy loss.

• Right Opportunity - Do not fall in trade early, wait for right opportunity and then trade. It's very important.

"Wait, Watch and then trade" you will get success.

• Everyday is not trading day - Do not force yourself to do trading everyday. It's wrong. If you are not sure about the market movement for that day then it always wise decision to be away from market and not to trade.

• Keep you greediness away - Most of the people loose in share market due to greediness. Get satisfied with whatever profit you get and come out of that trade and wait for next opportunity. Don't wait to take huge for that sing.

Delivery based trading/ investing

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.

Analyzing the company before investing

What is Fundamental analysis?

Fundamental analysis is basically done for long term and mid term investment which is also called as delivery based investment or trading. The main important aim behind is to study and understand the company in which you are planning to invest your hard earned money and get excellent returns. Generally hard core fundamental analysis is very and is out of the scope of this website, but if you are interested to learn then please contact us and we will provide you appropriate resources to study the same.

How to analyze the fundamentals of the company?

Basically one should be able to judge at least how the company has done in past years, its debit status, its current valuation, its future growth prospects, its earning capacity etc . So that based on these terms he can at least decide whether to invest in this company or not.

What you should look for in a company to invest?

1. About Company -

What the company is doing and what are its businesses?

How is the current demand for their products and how the demand will be in future like in next 3 to 5 years and so? (It is difficult to analyze the future demand yourself so you can visit financial websites or contact us)

2. Earnings -

This is very important parameter. Broadly look into its last 5 or 10 years earnings whether the company has posted profits or losses. It's all about earnings. The bottom line is investors want to know how much money the company is making and how much it is going to make in the future. To find the earning status ratios used are EPS - Earning per share

3. Current valuation -
This is another very important factor which most of the investor forgets while doing their investments. Generally most of the investors invest at higher valuations of shares and when share prices start coming down then they keep worrying, so this should not happen. Before investing one should check the current valuation of the share price and invest only when the share price is at right price and not at over priced share. This is what happened in January 2008. Most of the people invested at very high valuations and later on the share prices started to correct (falling down). To find the current valuation of the stock the ratios used are
PE ratio - Price to earning ratio
Book value
PB ratio - Price to book value ratio

4. Future earnings growth -
It is very important to analyze how the company is going to do in future. How will be its returns or its profits etc?
Basically most of the investors invest in shares taking into consideration Company's future growth prospects. To find the future growth of the stock the ratios used are -
PEG ratio - Price to earning growth ratio
Current EPS and Forward EPS
Price to sales ratio
5. Debit status -
For any company to perform well in the future it is very important to be debt free or less debit because if company is having large debits like borrowings, loans then it becomes difficult for it to plan for any acquisitions, expansion plans take over plans, dividend payout and very important its most of the net profit goes in paying the interest and loans and other debits. So in other words if the company is having fewer debits or no debit then they are having lots of cash in hand and they are free to take any decision in coming future. To find the debit status of the company the ratios used Debit ratio.

So to accomplish above parameters fundamental analyst follow certain ratios which are mentioned below.
Earnings

About EPS
The portion of a company's profit allocated to each outstanding share of common stock. Earnings per share serve as an indicator of a company's profitability.

Calculated as = $\frac{\text{Net Income - Dividends on Preferred Stock}}{\text{Average Outstanding Shares}}$

An important aspect of EPS that's often ignored is the capital that is required to generate the earnings (net income) in the calculation. Two companies could generate the same EPS number, but one could do so with less equity (investment) - that company would be more efficient at using its capital to generate income and, all other things being equal would be a "better" company.

What is Common and preferred stock
There are two classes of stock that companies offer: common and preferred. These come with different financial terms and offer different rights in relation to the authority of the company.
The following are few important differences between these two types of stock,

Common Stock -

The holders of common stock can reap two main benefits from the issuing company: capital appreciation and dividends. Capital appreciation occurs when a stock's value increases over the amount initially paid for it. The stockholder makes a profit when he or she sells the stock at its current market value after capital appreciation.

Dividends, which are taxable payments, are paid to a company's shareholders from its current earnings. Typically, dividends are paid out to stockholders on a quarterly/annually basis.
Common stock ownership has the additional benefit of enabling its holders to vote on company issues and in the elections of the organization's leadership team. Usually, one share of common stock equates to one vote.

Preferred Stock -
Preferred stock doesn't offer the same potential for profit as common stock, but it's a more stable investment option because it guarantees a regular dividend that isn't directly tied to the market like the price of common stock. This type of stock guarantees dividends, which common stock does not.

The other advantage of preferred stock is that preferred stockholders get priority when it comes to the payment of dividends. In the event of a company's liquidation, preferred stockholders get paid before those who own common stock. In addition, if a company goes bankrupt, preferred stockholders enjoy priority distribution of the company's assets, while holders of common stock don't receive corporate assets unless all preferred stockholders have been compensated (bond investors take priority over both common and preferred stockholders).

Like common stock, preferred stock represents ownership in a company. However, owners of preferred stock do not get voting rights in the business.
Earning Per Share - EPS
EPS plays major role in investment decision.
EPS is calculated by taking the net earnings of the company and dividing it by the outstanding shares.

EPS = Net Earnings / Outstanding Shares
(Nowadays you will get this ready made, no need for you to do calculation.)

For example -
If Company A had earnings of RS 1000 crores and 100 shares outstanding, then its EPS becomes 10 (RS 1000 / 100 = 10).
Second example -
If Company B had earnings of RS 1000 crores and 500 shares outstanding, then its EPS becomes 2 (RS 1000 / 500 = 50).

So what is that you have to look in EPS of the company?
Answer - You should look for high EPS stocks and the higher the better is the stock.

Note - You should compare the EPS from one company to another, which are in the same industry/sector and not from one company from Auto sector and another company from IT sector.

Before we move on, you should note that there are three types of EPS numbers:

Trailing EPS - Trailing EPS means last year's EPS which is considered as actual and for ongoing current year.
Current EPS - Current EPS means which is still under projections and going to come on financial year end.

Forward EPS - Forward EPS which is again under projections and going to come on next financial year end

But the EPS alone doesn't tell you the whole story of the company so for this information, we need to look at some more ratios as following.
It's not advisable to make your investment decisions based on only single ratio analysis.
EPS is the base for calculating PE ratio.

Importance of Earnings -
Earnings are profits. Quarterly or yearly company's increasing earnings generally makes its stock price move up and in some cases some companies pay out a regular dividend. This is Bullish sign and indicates that the company's is in growth.

When the company declares low earnings then the market may see bearishness in the stock price and hence its share price starts deceasing and corrects further if the company doesn't provide any sufficient justification for low earnings.

Every quarter, companies report its earnings. There are 4 quarters.

Quarter 1 - (April to June and earnings will be declared in July)
Quarter 2 - (July to Sept and earnings will be declared in Oct)
Quarter 3 - (Oct to Dec and earnings will be declared in Jan)
Quarter 4/final - Also called as financial year end - (Jan to Mar and earnings will be declared in April)

Now by this time you would have understood how earnings are important for a stock price to move up or down. But depending only on earnings one should not make investment or trading decision. To make decision more risk free you should look into more tools as mentioned below so that your investment decision becomes more solid and you should get excellent returns in future.

Conclusion - Keep a close watch on quarterly earnings and trade or invest accordingly or manipulate your investing.

Following are the most popular and important tools/ratios to find excellent growth stocks which focuses on earning, growth, and value of the company's.
To make you understand more easily we have explained in very simple steps.
Current Valuations of the shares

Price to Earnings Ratio - PE ratio
PE ratio is again one of the most important ratio on which most of the traders and investors keep watch.
Important - The PE ratio tells you whether the stock's price is high or low compared to its forward earnings.
The high P/E suggests that investors are expecting higher earnings growth in the future compared to companies with a lower P/E. This generally happen in bull market and share price keeps on increasing.
Basically in bull market share prices keep increasing without giving more importance to its current valuation and once market realizes that it is over priced then they start selling.
In bear market the low PE stocks having high growth prospects are selected as best investment options.

But, the P/E ratio doesn't tell us the whole story of the company.
Generally the P/E ratios are compared of one company to other companies in the same sector/industry and not in other industry before selecting any particular share.

The PE ratio is calculated by taking the share price and dividing it by the companies EPS.
That is
PE = Stock Price / EPS

For example
A company with a share price of RS 40 and an EPS of 8 would have a PE ratio of 5
(RS 40 / 8 = 5).

Importance - The PE ratio gives you an idea of what the market is willing to pay for the companies earning. The higher the P/E the more the market is willing to pay for the companies earning.
Some investors say that a high P/E ratio means the stock is over priced on the other side it also indicates the market has high hopes for such company's future growth and due to which market is ready to pay high price.
On the other side, a low P/E of high growth stocks may indicate that the market has ignored these stocks which are also known as value stocks. Many investors try finding low P/E ratios stocks of high value growth companies and make investments in such stocks which may prove real diamonds in future.

Which P/E ratio to choose?
If you believe that the companies has good long term prospects and good growth then one should not hesitate to invest in high P/E ratio stocks and if you are looking for value stocks which prove real diamonds in future then you can go with low PE stocks provided that companies has good growth and expansions plans.
At all if you would like to do PE ratio comparison then it has to be done in same sectors/industry stocks and not like one stock from banking sector and other stock from pharmacy sector.
So now you would have come to know how to choose stocks based on PE ratio.

What is book value?
Book value is the total value of the company's assets that shareholders would theoretically receive if a company were liquidated (closed).
By being compared to the company's market value, the book value can indicate whether a stock is under priced or overpriced.
So in other words if the share price is trading below its book value then it is considered as under priced and good for value investing.

Price to Book Ratio - PB ratio
Basically PB ratio is mostly utilized by smart investors to find real wealth in shares, so investing in stocks having low PB ratio is to identify potential shares for future growth.

A lower P/B ratio could mean that the stock is undervalued.

Like the PE, the lower the PB, the better the value of the stock for future growth.

Some of the investors become quite wealthy by holding stocks for the long term of such companies whose growth is based on their businesses instead of market and one day when every one notices this stock the value investor's pockets are full of profit.

PB ratio is calculated as
PB ratio = Share Price / Book Value per Share.

Generally, if the ratio comes below 1 then it is considered as value investing. But this doesn't mean that the ratio coming to 1.2 or 1.5 is not value investing. It also depends on its future growth prospects.

Future earnings growth

Projected Earning Growth ratio - PEG ratio

Because the market is usually more concerned about the future than the present, it is always looking for companies projected plans, financial ratios, and other future announcements.

The use of PEG ratio will help you look at future earnings growth of the company.

PEG is a widely used indicator of a stock's potential value.
Similar to the P/E ratio, a lower PEG means that the stock is more undervalued.

To calculate the PEG the P/E is divided by the projected growth in earnings.

That is PEG = P/E / (projected growth in earnings)

For example -
A stock with a P/E of 30 and projected earning growth for next year is 15% then that stock would have a PEG of **2** (30 / 15 = 2).
In above example what does the "**2**" mean?

Lower the PEG ratio the less you pay for each unit in future earning growth. So the conclusion is you can invest in high P/E stocks but the projected earning growth should be high so that companies can provide good returns.

Looking at the opposite situation; a low P/E stock with low or no projected earnings growth is not going to give you good returns in future because its PE is low means investors are not ready to pay high and its PEG is also low because companies do not have any good future growth or expansion plans so investment in such stocks could prove less or no returns.

A few important things to remember about PEG:
It is about year-to-year earnings growth.
It relies on projections, which may not always be accurate.
It's forward earning estimation which market analyst or company calculates.

Following two ratios are again the projection or estimation done by either market analyst or by company resources.

Current EPS - Current EPS means which is still under projections and going to come on financial year end.
Forward EPS - Forward EPS which is again under projections and going to come on next financial year end.
Debit status of the Company

Debit Ratio
This is one the very important ratio as this tells you how much company relies on debit to finance its assets.
The higher the ratio the more risk for company to manage going forward. So look for company's having low debit ratio.
Generally it is considered that debit ratio less then 1is good investment option. But even some investor

considers higher debit ratio provided the company is having good growth prospects.

If company has fewer debits then company can make more profit instead paying for its debits like interests rates, loans etc.

Dividend Yield
If you are a value investor or looking for dividend income then you should look for Dividend Yield figure of the stock.
This measurement tells you what percentage return a companies pays out to shareholders in the form of dividends. Older, well-established companies tend to payout a higher percentage then do younger companies and their dividend history can be more consistent.

You calculate the Dividend Yield by taking the annual dividend per share and divide by the stock's price.
That is
Dividend Yield = annual dividend per share / stock's price per share
For example
If a company's annual dividend is RS 1.50 and the stock trades at RS 25, the Dividend Yield is 6%. (RS 1.50 / RS 25 = 0.06).

Important Note - Any single tool or ratio should not be used to make your investment or trading decision nor will they provide you any buy or sell recommendation. All tools should be used to find growth and value stocks.
After making use of above all tools you will get excellent stocks which will give you excellent returns in mid term to long term.
You will find all these ratios in any financial website or you can contact us.

Company's announcements
Always keep a close watch on stocks you are interested to buy or you already bought for any mergers, take over, acquisitions, stake sells, new product launch etc. This would make the major impact on company. This is important point.
Final and last - very important
Check out company's PAT (profit after tax) of every quarterly if you are short term to mid term trader and if you are long term investor then check out its yearly PAT. The company should have posted consistent growth.
Brokage and tax calculation
Let's see how to calculate Brokerage and taxes for intraday trading and for delivery trading

The current maximum intraday brokerage offered is 0.05% for buying and 0.05% for selling
(we provide 0.03% for buying and 0.03% for selling, these rates can be reduced further if you do daily high volume trading)

Brokerage calculation for day trading (intraday trading)

Taxes

explained to understand how to calculate brokerage and taxes.

Example -
Suppose the shares of Kotak Bank has been bought at Rs.315, quantity - 100 so the amount comes to

Rs.315 x 100 = Rs.31500.

Now let's see how to calculate the brokerage and taxes.

Your buying amount
Rs.31500 (Rs.315x100 Qty shares)

Brokerage charge
0.03% as brokerage (It's our brokerage rates) on 31,500 which comes to Rs.9.45

Service Tax
The service tax is 10.36% only on brokerage, so 10.36 % on Rs.9.45 comes to Rs 0.98.

Total charges you have pay on buying amount is

The total brokerage + service tax which come to Rs.9.45 + Rs.0.98 = **Rs.10.43**

Now let's calculate the brokerage and taxes on selling amount

Your selling amount
Suppose you sold Kotak Bank shares at Rs.316, Qty - 100 so the amount comes to Rs.31,600 (Rs.316 x 100 Qty shares)

Brokerage charge
0.03% brokerage on 31600, comes to Rs.9.48

Service Tax
The service tax is 10.36% only on brokerage, so 10.36 % on Rs.9.48 comes to Rs 0.99.

STT(Service Transaction Tax) only on selling amount
The STT (Service Transaction Tax) is 0.025% on selling amount (the selling amount is 31,600) which comes to Rs.6.32.

Total charges you have pay on Selling amount is

Total brokerage + service tax + STT on selling amount is
= Rs.9.48 + Rs.0.99 + Rs.6.32
= **Rs.16.79**

Total amount you have to pay on buying and selling is
= Rs.10.43 (buying) + Rs.16.79 (selling)
= **Rs.27.22**

Also you have to pay stamp duty and regulatory charges on total turnover.

Your total turn over is calculated by adding the buying amount and selling amount.

Buying amount is 31500 and selling amount is 31600 which adds up to Rs. 61300. Stamp duty is 0.002% and Regulatory charges are 0.004% which adds up to 0.006% So on total turnover amount (Rs. 61300) the stamp duty and regulatory charges comes to Rs 3.8.

So the total amount you have to pay including brokerage and all taxes is only
Rs 27.22 + 3.8 = 31.02

Conclusion
So now the conclusion is you are paying Rs.31.02 while you earned the profit of Rs.100.
So your profit is Rs 100-31 = 69

So don't you think more then 69% profit in single trade is quite enough to do thousands per day.

If you continue doing such small trades with such small profits then you will end up with big amount at the end of the day.

Please visit below link if you are interested to know how to add thousands in a day and earn minimum 30% returns in single month at below link, its free.

Let's see how to calculate Brokerage charges for Delivery trading

For delivery trading the brokerage rates are 0.5% for buying and 0.5% for selling (we charge 0.3% for buying and 0.3% for selling)

Remaining all taxes are same except STT (security transaction tax).
STT is not applicable for delivery based trading.
But in delivery trading DP charges are applicable when you sell shares from your demat account. (Charges are mentioned above)

Please note -
Information provided above is latest but if you find any discrepancies then please let us know and we will provide further details on same.
Security transaction charge
STT was introduced in India by the 2004 budget and is applicable with effect from 1st October 2004.

What all comes under STT?
Securities definition is as per section 2(h) of the Securities Contracts (Regulation) Act, 1956 and covers all securities/financial instruments which are mentioned at the bottom of this article.

What are taxable transactions?
Purchase and Sale of securities through a recognised stock exchange in India. STT is not applicable on off-market transactions.

What rate is STT payable?
The current rate of STT is mentioned in the below table.
Note that Service Tax, Surcharge and Education Cess are not applicable on STT.

STT applicable for Equity Transactions

Delivery Transactions

Purchase: 0.125% of Turnover i.e. (Number of Shares x Price)

Sell: 0.125% of Turnover i.e. (Number of Shares x Price)

Intra-day Transactions

Purchase: No STT is applicable

Sell: 0.025% of Turnover i.e. (Number of Shares x Price)

STT applicable for Derivative Transactions

Future Transactions

Purchase: No STT is applicable

Sell: 0.017% of Turnover i.e. (Number of Lots x Lot Size x Price)

Option Transactions

Purchase: NIL at the time of purchase of option. However the purchaser has to pay 0.125% of the Settlement Price i.e. (Number of Lots x Lot Size x Strike Price), in case of option exercise

Sell: 0.017% of Premium

Summary of the STT rates is given in the table below:

Product	Transaction	STT rate	Charged on
Equity-Delivery	Purchase	0.125%	Turnover
	Sell	0.125%	Turnover
Equity-Intraday	Purchase	-	-
	Sell	0.025%	Turnover
Future	Purchase	-	-
	Sell	0.017%	Turnover
Option	Purchase	0.125%	Settlement price, on exercise
	Sell	0.017%	Premium

b

Taxation of profit or loss from securities transactions depends on whether the activity of purchasing and selling of shares / derivatives is classified as investment activity or business activity. Treatment of STT also depends upon whether the income from these securities transactions are included under the head "Income from Capital Gains" or under the head 'Profits and Gains of Business or Profession'.

Scenario 1: 'Income from Capital Gains'

This refers to the scenario where the assessee is either Salaried or is engaged in some other business or profession and trading in securities is not the main line of business. In such cases gains or losses from securities transactions are taxed under the head "Income from Capital Gains". Gains or losses are subject to Short Term Capital Gains (STCG) or Long Term Capital Gains (LTCG) tax depending upon the period of holding, i.e., if the holding period is less than 1 year, gains are classified as STCG and if the holding period is equal to or greater than 1 year, gains are classified as LTCG. Any equity share, which has been sold through a recognised stock exchange and on which STT has been paid, is entitled to exemption from LTCG under Section 10 (38) of the Act. Similarly, in case of STCG of such shares, the gains shall be taxed only at 15%, plus surcharge and education cess under section 111A of the Act.

Important points to note:
• STCG and LTCG rates of 15% and NIL are available only if the specified security is sold through a recognised stock exchange. Private deals
or transactions, not routed through a recognised stock exchange in India, will not be covered.
• The purchase of the specified securities could be through any mode and need not be through a recognised stock exchange
• The exemption is not available to transactions where STT has not been paid
• Since LTCG is exempt, Long Term Capital Loss, arising from these specified securities, cannot be set-off against any other gain/income.
This loss shall lapse
• As per section 40(a)(ib) of the Income tax Act, STT cannot be claimed as an expense in computing the income chargeable under Capital
Gains
Scenario 2: 'Profits and Gains of Business or Profession'

This refers to the scenario where main business of the assessee is trading in securities. In such cases the gains or losses are classified as business income, which is taxed at the regular rate of income-tax. STT paid in respect of taxable securities transactions entered into in the course of business shall be allowed as deduction under section 36 of the Income-tax Act. Until 31st March 2008, the amount of STT paid was allowed as rebate under section 88E of the Income-tax Act. However, with effect from 1st April 2008, rebate available under section 88E has been discontinued.

Securities" is defined in Section 2(h) of the Securities Contracts (Regulation) Act, 1956, to include:
(i) shares, scrips, stocks, bonds, debentures, debenture stock or other marketable securities of a like nature in or of any incorporated
company or other body corporate;
(ii) derivative;
(iii) units or any other instrument issued by any collective investment scheme to the investors in such schemes;
(iv) security receipt as defined in section 2(zg) of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security
Interest Act, 2002;
(v) Government securities;
(vi) such other instruments as declared by the Central Government; and
(vii) rights or interest in securities.
Technical analysis & Charting
The Foundation of technical analysis is the Chart.

Charts
Mainly there are 2 types of charts
1. Line Chart
2. Candlestick Chart

Line charts
A chart shown below is the Line chart is the simplest type of chart. As shown in the chart the single line represents the stocks closing price on each day. Dates are displayed along the bottom of the chart and prices are displayed on the side(s). Line charts are typically displayed using stocks closing prices.

Candlestick charts

A candlestick chart displays stocks open high, low, and closing price.

These type of charts are the most popular type of all charts.

As shown below the top of each vertical bar represents the highest price of the stock and the bottom of the bar represents the lowest price of the stock it reached on that day. A closing price (last price) is displayed on the right side of the bar.

The red bar indicates that stock has closed lower then its open price and white bar indicates that the stock has closed above its open price. At the bottom you can see time frame

Support and Resistance

Support and Resistance prices are very important in stock market and in technical analysis.

Support - The support level is considered when the stock is falling down. The support is the level at which the stock price gets support when the stock is falling down, and if the support breaks then that stock may

witness further down movement.
Resistance - The Resistance is taken into picture when stock price is moving up. The resistance level is the price at which stock price get stoppage and if this stoppage/resistance breaks then further upside is expected in that stock price.
Generally, stocks comes to support and resistance points and get constant before further movement and further movement either down side or upside depends on buyers expectation and other technical aspects.
The breaking of support and resistance levels can also be triggered by fundamental changes, and that is up to investor expectations (fundamental changes like changes in profits, expansion, takeover, management etc).

Supply and demand
There is nothing strange about support and resistance levels. It is just supply and demand. The supply is the number of shares that sellers are willing to supply (sell) at a given price. The demand is the number of shares that buyers are willing to buy at a given price. The investor expectations keeps on changing and so do the prices of stocks. A breakout above a resistance level is evidence of an upward move as more buyers (demand) are willing to buy at higher prices. Similarly, the failure of a support level indicates that more supply (seller) is available and ready to sell at lower levels. The Basic foundation of technical analysis tools is in the concept of supply and demand. So Charts provide us the best view and analysis of these levels in action.

Traders Regret (unhappy) Level
After the break out of a support/resistance level, it is common for stock traders to think on the new price levels, whether this price is suitable or not which results in further upward or downward movement. So in other words we can call this as traders regret. So due to this the price may come back to support/resistance level. In such scenarios one of the two things can happen. Either the stock prices will move back to their previous level OR investors/traders will accept the new price and the stock price will keep moving up in the direction of breakout

How to understand what is going to happen and when?
A breakout generally happens with the support of huge volumes. If the price breaks through the support/resistance level with a large increase in volume and the traders regret period is on relatively low volume then this indicates that the new price up lift will keep ongoing.
Conversely, if the breakout is on moderate volume and the traders regret period is on increased volume then this indicates that very few investor expectations have changed and hence return to the original price. Changes in price are the result of changes in investor expectations of the stocks future price.
Trends
In the earlier chapter, we saw how support and resistance levels can be penetrated by a change in investor expectations which results in shifts of the supply/demand and hence change in stock price. This type of a change is always based on News.
In this TRENDS section, we will see what is trend and how it influences stock prices.
A trend represents a consistent change in prices. A trend is different from support/resistance levels. Trends represent change, whereas support/resistance levels represent barriers to change.
Upper Trend = A rising trend is defined as stock prices keep touching higher prices. A rising trend can be thought of as a rising support level and the bulls are in controls which are pushing the stock prices higher and higher.
Falling trend = It is defined as stock prices keep touching lower prices. A falling trend can be thought of as a falling resistance level and bears are in controls which are pushing the stock prices lower and lower.
The break out takes place when investor's expectations change in support with increase in volumes.
As in support/resistance, in trend lines also Volumes plays a major role in continuing the trend or in break

out of the trend.

Moving Averages

Moving averages are one of the oldest and most popular technical analysis tool. This section describes the basic of moving average and interpretation.
Nowadays you get moving averages readily available on most of the websites.
To brief you moving average is calculated by adding the closing prices of a stock for most recent 15 days and then dividing by 15 the result what you get is the 15 day moving average.

How to trade on moving average

Suppose If the stock price is above its 25 day moving average, it means that investor's current expectations (the current price of the stock) are higher than their average expectations over the last 25 days, and that investors are becoming increasingly bullish on this stock and result is that the stock price may go up.
Conversely, if today's price is below then its 25 day moving average, it shows that current expectations are below average expectations over the last 25 days and this may bring stock price lower.
The moving average is used to observe changes in prices. Investors typically buy when a stock price rises above its moving average and sell when the price falls below its moving average.

Indicators

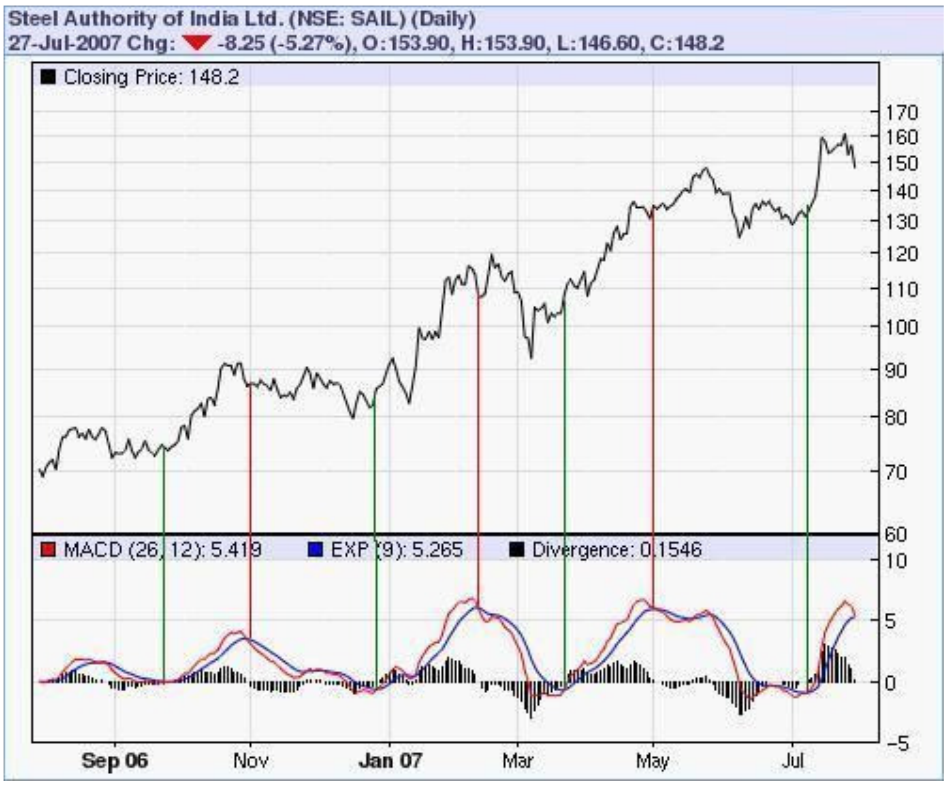
Indicators are used to predict or analyze future changes in stock price.
There are hundreds of indicators but in this section we will discussed the indicators which are most widely used and important ones.

MACD

This is one of the widely used indicator. MACD stands for Moving Average Convergence Divergence.
This indicator is based on moving averages
Nowadays MACD is readily available on any web sites. No need to sit and calculate. But just to understand let us brief about it.
The MACD is calculated by subtracting a 26-day moving average (long term) of a security's price from a 12-day moving average (short term) of its price. The result is that MACD is an indicator that goes above and below zero.

How to trade on MACD indicator?

Have a look on following chart of MACD -
Red line is short term moving average and blue line is long term moving average.
When the short term moving average crosses above the long term moving average (as shown in following chart) in the upward direction, it means investor expectations are becoming bullish and there may be rise in stock price. As it is shown in following chart with green lines how price increases.
When the short term moving average crosses below the long term moving average (as shown in following chart) in the downward direction, it means investor expectations are becoming bearish and there may be decrease in stock price. As it shown in following chart with red lines lines how orice decreases.



Relative Strength Index (RSI)

The RSI is another one of the most used and well-known leading momentum indicators in technical analysis. The main use of RSI is used to find whether the stock is overbought or oversold.

The RSI indicator is plotted in a range of between 0 and 100. If RSI is reached above 70 then it is considered that stock is overbought and if it reaches below 30 then it is considered that the stock is oversold.

The bullish signal

How to trade on RSI Indicator

Basically the RSI is a price-following indicator used to look for a divergence in which the stock is making a new high, but the RSI is failing to exceed its previous high. This divergence is an indication of an impending reversal. When the RSI then turns down and starts falling.

To put more light, have a look on following chart.

New comers to share market

New comers to Share market and day trading

In the share market you can earn good amount of money provided you follow the principle "learn and then earn". Every field requires knowledge and experience to get success so is the share market. So please don't misunderstand that share market will make you millionaire or billionaire in one night.

Our website is especially designed for all newcomers to share market and for day trading so please read, study and then start earning.

Broadly speaking basically there are two types of people in share market.

1. Investors - who buy shares and hold for weeks to months to years and they are called as short term, mid term and long term investors respectively.

2. Traders - Traders do buying and selling of shares on very frequent basis mostly on day to day basis.

Investors

Most of the time it has been observed that investor buy/invest in shares without checking its valuations and when their share prices starts falling then they start worrying and get panic and take wrong steps. Because, basically profit booking takes place at shares having high valuations. So it is always advisable to buy shares at lower valuations or at appropriate valuations. So don't invest or buy share without studying about company and their current valuations.

The up and down movement is the characteristic of share market so no need to worry if your share price comes down from your buying price provided your buying price is at correct or low valuations. So if you buy shares at low valuations then share price doesn't fall much from that level in bearish markets.

Once you buy good fundamentals shares at appropriate valuation then no need to change your decision

based on rumors. Rumors are part of share market.

Always keep watching the performance of your shares. Every quarter company declares their performance (financial results) and based on their performance the share price moves up and down. So it is advisable to track the performance of your shares.

Broadly speaking no need to sit and monitor you share price on daily basis especially if you have invested for mid term to long term because the daily share price movement may makes you to think and worry and at the same time you will keep guessing tomorrows market direction and status and this may spoil your entire time and day.
It is also possible that this may lead to emotional trading due to which you may do wrong trading.
Traders
Traders are those you buy and sell shares on daily basis.

1. Many new comers do losses in day trading because of insufficient market knowledge.
2. New comers should avoid day trading unless and until they do paper trading practice.
3. Trading requires alertness and promptness to enter and exit from the trade so it is advisable for day trades to be in front of the trading terminal during market hours and avoid other activities during market hours.
4. Don't do day trading just for sake of trading or just to earn few bucks for today's expense. If you are looking to have success in day trading then do it by dedication.
5. Don't try to get profit everyday, because everyday is not trading day. But as you get lots of experience then you can do it everyday.
6. Huge losses can be avoided by not doing over trading.
7. Day trading is not one day job or night education which you learn from any site and start trading. You need to get experience, strategies, techniques and principles to follow to get success in day trading.
All these factors and parameters are mentioned our day trading section please visit and study and gain appropriate knowledge.
Some tips for trader
Types of Traders

Traders
Traders do buying and selling of shares based in technical analysis, news etc. they are not bothered about the fundamentals of the company or how good the company is doing or whether the company is in profit or loss. They also depend on news important numbers like inflation, IIP, Quarterly results numbers etc.

1. Day traders also called as intraday traders. Day traders buy and sell on daily basis they don't hold positions (stocks) overnight. Most of the day traders make use of margin amount. If you are new then you should avoid day trading especially using margin amount.
2. Swing traders - Traders hold the position for couple of days. Even some traders hold the position from couple of weeks to couple of months based on the technical strategy and allow the profits to pour in.
Investors
Most of investor does buying and selling based on the company fundamentals, how good the company is doing etc.
Some investors also make use of technical charts to enter and exit their positions. Investing is considered as safe as compared to trading. Investor looks for growth stock which is potential in failure and plans to invest in such stocks.

Types of Investors
Basically investing is done for long term in share market to get good returns. Long term is variable and it

varies from one year to couple of years.
So based on investing duration the investor's are on classified as follows,
1. Short term investing - Investors invest for very short period like couple of months to till a year.
2. Mid term to Long term investing - Investors invest for a year to couple of years.
Now you have understood the basic difference between trader and investor, we will see the successful mantras for trading for traders.
According to our analysis there are 3 mantras for successful traders.
1. Take low risk
2. Try to minimize your loss
3. Your experience counts

1. Take low risk
This is one of the very important success mantras in trading. Trading is not possible without risk, so take small risk and avoid
big risk. Traders mostly fail by taking big risk like doing overtrading (trading when market is uncertain or when market is not
giving any signal etc.) managing your money/capital is must if you want to achieve in trading.
a) Never put all your savings into trading.
b) Never put all your trading capital/money in single trade.
c) If you are start trading with very small capital.
d) Never act on tips immediately without confirming from your side.

2. Try to minimize losses
Losses are part of trading. It is not possible to do trading without losses but you have to minimize loss and increase profits. Losses occur because markets behave based on various factors and parameters which are not in trader's control. So its trader responsibility to strictly trade with stop loss trigger price to minimize the losses. So concentrate on profits, if you trade goes wrong then come out by accepting by analyzing what went wrong, either you did mistake or market is acting smart. If market is acting smart then you should stay away and not to enter unless you are confident about the market move.
3. Your Experience
We get lots of email from traders to know the short cuts to earn money in share market and we always keep saying that there is not short cut to earn money in share market. Lots of new comers to share market enter into trading and make losses because they don't know what trading is and very importantly trading is required experience and its not the job of overnight reading of trading articles and strategies and start trading on very next day. So we keep advising to all new comers also traders who are not getting success to do paper trading practice without actual risking your money. We have already wrote how to do practice without actual risking your money at, Paper Tradrading. Without experience it's not possible to get consistent success in trading share market, so don't risk your hard earned money without gaining trading experience.

Experience removes your mental blocks
What type of person you are is also important for success of your trading. If you are short temper, indiscipline, acting without thinking then trading is extremely difficult for you. So to overcome all these unwanted characters you have to gain experience by doing paper trading practice. Experience will remove all your mental blocks and you will start doing successful trading. Take your own time to gain experience, don't hurry and jump to start doing trading.
Stop loss order
What is stop loss order?
The stop loss is the order placed to limit the losses when the stock price moves against your trade.
1. Generally stop loss order are used during day trading/Intraday trading.

2. Stop loss can be used for buy order as well as for short sell order.
3. Stop loss order can be used for stocks, futures and options, currency (forex) trading.

How to place the Stop loss for sell order?
For example – Suppose if you bought Cairn India Ltd at Rs 250 and if the stock price starts moving down and if you want to limit your losses and plan to take risk of Rs 10 then you can place the stop loss order at Rs 240.

How to place the stop loss order?
Trigger price – 241
Sell price – 240
If the share price of Cairn India Ltd moves down and crosses Rs 241 then your order will be sent to exchange to sell your shares at Rs 240. So instead of accepting big loss, only loss of Rs 10 per share has been accepted.

How to place stop loss for Buy order?
Stop loss order for buy order is placed if you have short sell the trade.

What is the short sell?
Selling stocks at higher level and buying them at lower levels is called short selling method.
This method is only adopted during intraday/day trading.

For example – Suppose if the stock of Tata steel is at Rs 700 and expected to come down then the trader can sell the stocks of Tata steel at Rs 700 and buy at lower levels to take the profit.

But if in case the stock price starts increasing at upper direction then there is need to limit the losses. The trader can place the stop loss order at Rs 730 taking into consideration the risk of Rs 30.
How to place the stop loss to short sell order?
Trigger price - Rs 731
Buy price - Rs 730
If the stock price starts moving upside and crosses Rs 731 then the order will be sent to exchange to buy the shares at Rs 730. So instead of accepting big loss, only Rs 30 per share will be accepted.
Creating trading plan to become successful trader
The following points/analysis has been mentioned based on our experience.
A trading plan either for day trading (intraday) or for investing is must to become successful in share market.
But it has been observed that most of the new comers don't create a trading plan rather they enter into share market to become rich in single day or in very short span of time.

The following are few points to be included while creating the trading plan, the experienced traders can include more points but following 5 points are basic and very essential points to get success in trading shares, F&O and even Forex trading
1. Your trading objective(reason for trading)
2. What and when to trader?
3. Taking care of your money
4. Maintain your trade list.
1) Your trading objective (reason for trading)
First, we have to define our trading objectives. Why are you trading? What is your end goal? Most new traders have completely out of reach goals.
For example, a new trader might want their Rs 20,000 investment turn into Rs 100,000 in their first year or

a day trader (intraday trader) want Rs 10,000 turn into Rs 20,000 in a day. This may happen but chances of failure are at large. Share market is not gambling but rather it is systematic method to earn money. Such unrealistic expectations end up with huge losses before they ever had a chance to gain some profits. According to our analysis, if a new comer makes 20-30% on their initial investment in their first year then that is outstanding returns. The next year would be definitely better than first year. Day traders should be able to target around 20 to 25% returns per month, but it is not as easy as new comers think and jump into share market.

2) What and when to trader?

It is important to decide or to at least know that, are you going to be a day trader or hold positions for a longer period of time (delivery trading)? Because, day trading requires you to be present in front of computer screen or trading terminal throughout the market hours while delivery trading is not required. Your decision should not come in between with your other schedule and responsibilities. Instead of trading on all stocks, trader can prepare daily list of stocks in news, volume gainers, losers etc and do trading for that day. We have also made lots of provision of stock picks for day traders so traders can make use of same.

Day trading requires lots of market experience and market knowledge while investing does not require so much. We advice for new comers to start day trading only after doing lots of market knowledge and only after doing paper trading practice.

processes. We have also posted investment stock tips on our site, so investors looking for strong fundamentals stocks for investment can go for these stocks.

3) Taking care of your money

Taking care of Money is probably the most important aspect of trading. First, you need to determine how much capital you have to risk in share market. Then you must determine how much you will risk on each trade. Most traders risk 1-3% of their account balance on each trade. This may sound low to the inexperienced trader, but after you blow all your account while risking too much, you will see why 1-3% is appropriate. Generally we advice to do paper trading practice before actually risking your money and once you gain enough experience and confident and can gain money in paper trading then you can start trading very small amount and once you get success you can start increasing the trading amount.

4) Maintain your trade list

The final step is to keep track of your daily trading or investment portfolio. The following points should be included and if required trade and/or investor can include more points

- Date
- Name of stock
- Action (buy or sell)
- Quantities (how many quantities were bought/sold)
- Amount invested
- Expected Profit potential (approx - so that you can square off your trade when the price reaches this level)
- Final Result -Either profit or loss
- Account balance after the trade has closed
- Mention Notes - Note down your experience and how you did this trade.

This format makes tracking results very simple. This is a pretty basic start to having a trading plan. Experienced traders know that many more details to prevent mistakes and encourage good habits.

Shree Tisai Consultant Private Limited