

## 14 How to invest in Share Market?

Shares or securities represent the smallest unit/recognized fraction of ownership in a publicly held business & debenture represent the smallest unit of lending. Both may be of various kinds. A stock exchange is an association of individual members (brokers) formed for the purpose of regulating & facilitating the buying & selling of securities. Share market operates with due recognition from Govt. under the *Securities & Contract Regulation Act 1956*. Most of the business is carried out at National Stock Exchange (NSE) ([www.nse.india.com](http://www.nse.india.com)) & Bombay Stock Exchange (BSE) ([www.bseindia.com](http://www.bseindia.com)). Initially, the investment in share market is advisable through Mutual fund as described in p 89.

### Some common terms used in Stock market

- **Book Value:** Shares are generally issued in the denomination of Rs. 10 initially but as company grows the book value of shares increases & declared at the end of FY.
- **Price:** The price which is determined by the market i.e. on which transactions (sell/purchase) takes place in the stock exchange called Current Market Price (CMP)
- **Earnings per Share (EPS):** The amount in Rs. which can be earned during last 12 months period by each share of the company i.e.  $EPS = \text{Net profit} / \text{No of shares}$
- **PE Ratio:**  $\text{Price to Earning Ratio} = \text{Current Market Price} / \text{EPS}$
- **P/B Value:**  $\text{Price to Book value} = \text{Current Market Price} / \text{Book Value}$
- **OPM:** Operating Margin (OPM) indicates a Company's % of margin over total turnover.

### How to start investing in share market?

- Allocate the money to be invested & decide time period of at least 2-3 years
- Select a broker of good reputation, prefer institutional like, Motilaloswal, Anandratni, Sushil Finance, Stock Holding Corporation of India, ICICI/HDFC etc. but initially prefer local broker as per availability
- Open a Demat a/c & share transaction operating a/c with the broker identified
- Now subscribe & read minimum 30 minutes daily at least one business magazine like Dalal street/Money or newspaper like Economic Times etc.
- Watch CNBC TV (preferably between 8.30 and 10.00 a.m.).

### How to start investing in primary market (IPOs) ?

- Watch how many IPOs (*Initial Public Offers*) are open to subscribe & select the better one, after consulting local broker & information you have gathered from magazine/TV for detailed study you can log on to IPO section of the web site of ([www.moneycontrol.com](http://www.moneycontrol.com), [www.icicidirect.com](http://www.icicidirect.com), [www.capitalmarket.com](http://www.capitalmarket.com))
- After identification, collect the form from broker, watch its subscription progress from website of NSE/BSE & invest (about 20% of your fund) as per advice of local broker.
- Keep in touch with the broker(s), till allotment of shares & refund of balance amount.
- After 3-4 weeks of offering, the share gets listed in the BSE/NSE. You can make sell or hold decisions with the help of local broker/magazine/TV/newspaper etc.
- Now you have invested in share market through route of primary market.

### How to start investing in Secondary market ?

- Select the stock for investment with the help of local broker/magazine/TV/news paper
- Before investing make fundamental study i.e. growth in profit & growth in sales on QoQ basis (from Last Qtr. to this Qtr.) & Y-o-Y basis (i.e., Same Qtr. of last year to this Qtr.) for PE ratio, OPM, P/B Ratio, ROE, ROCE etc. & compare it with the same group of other stocks. You can also avail the facility of portfolio management offered by brokers.

