

Basics of Stock Selection



Indian Securities Market - Overview



Starting Investment in Securities Market

Accounts Required



Bank Account



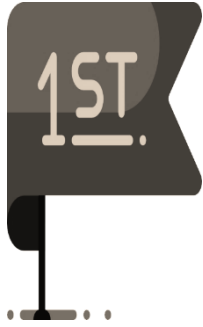
Trading or Broking Account



Demat Account

Many DPs offer a 3-in-1 account opening facility which gives you the convenience of opening a trading, demat and bank account – all together. Now many DPs are offering online demat account opening. Trading or Broking account is required only if you want to buy / sell shares through stock exchange.

About NSDL



1996

First Depository
in India



One of the leading Depositories in
the world

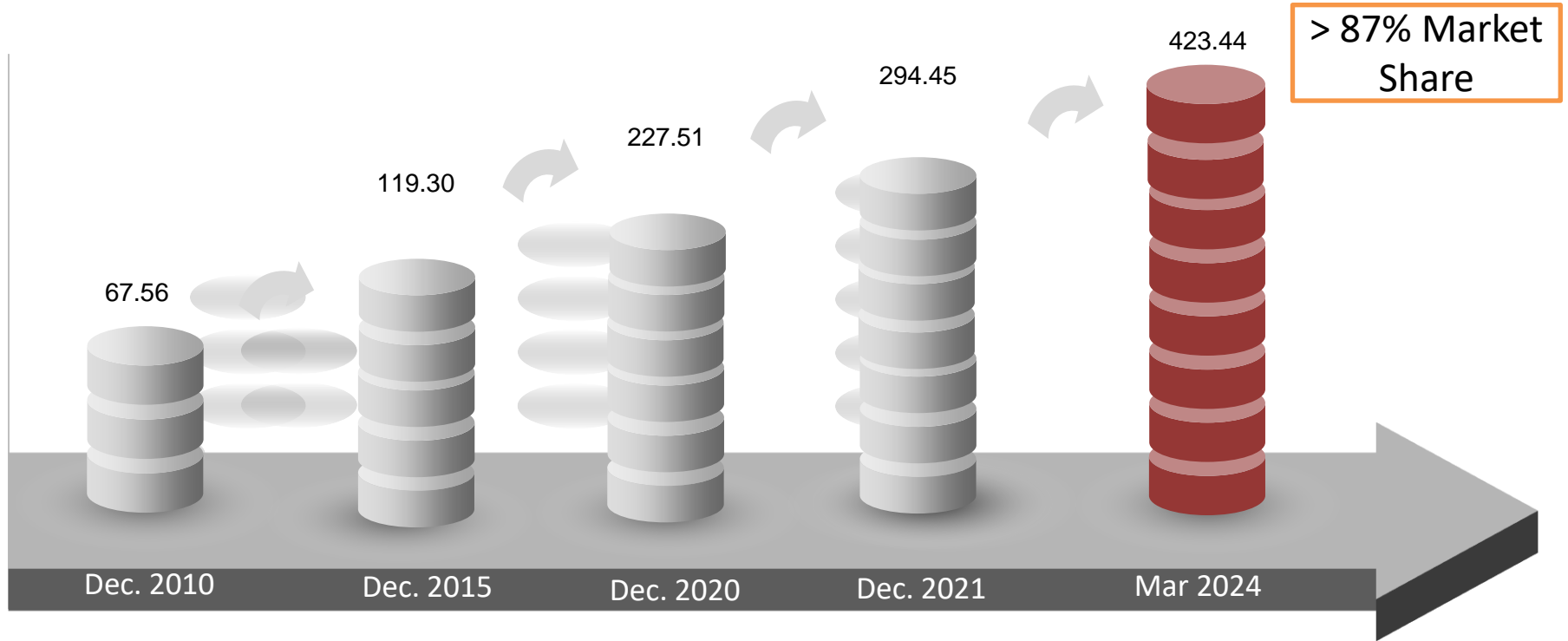


Demat accountholders present
in 99.27% of pincodes in India

Wide service network – all States
and UTs

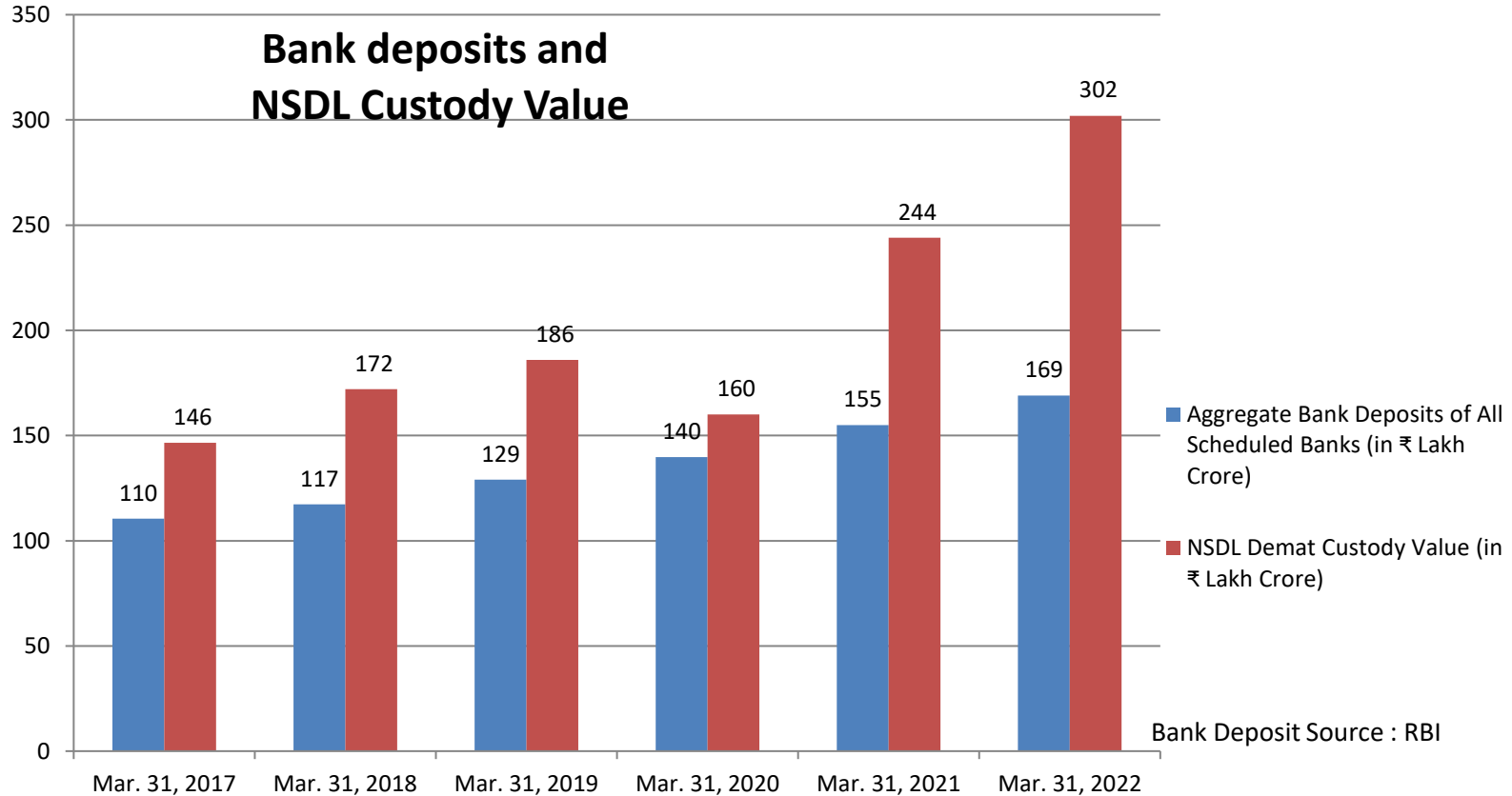
No. of Service Centres – 61,298

Growing Custody Value

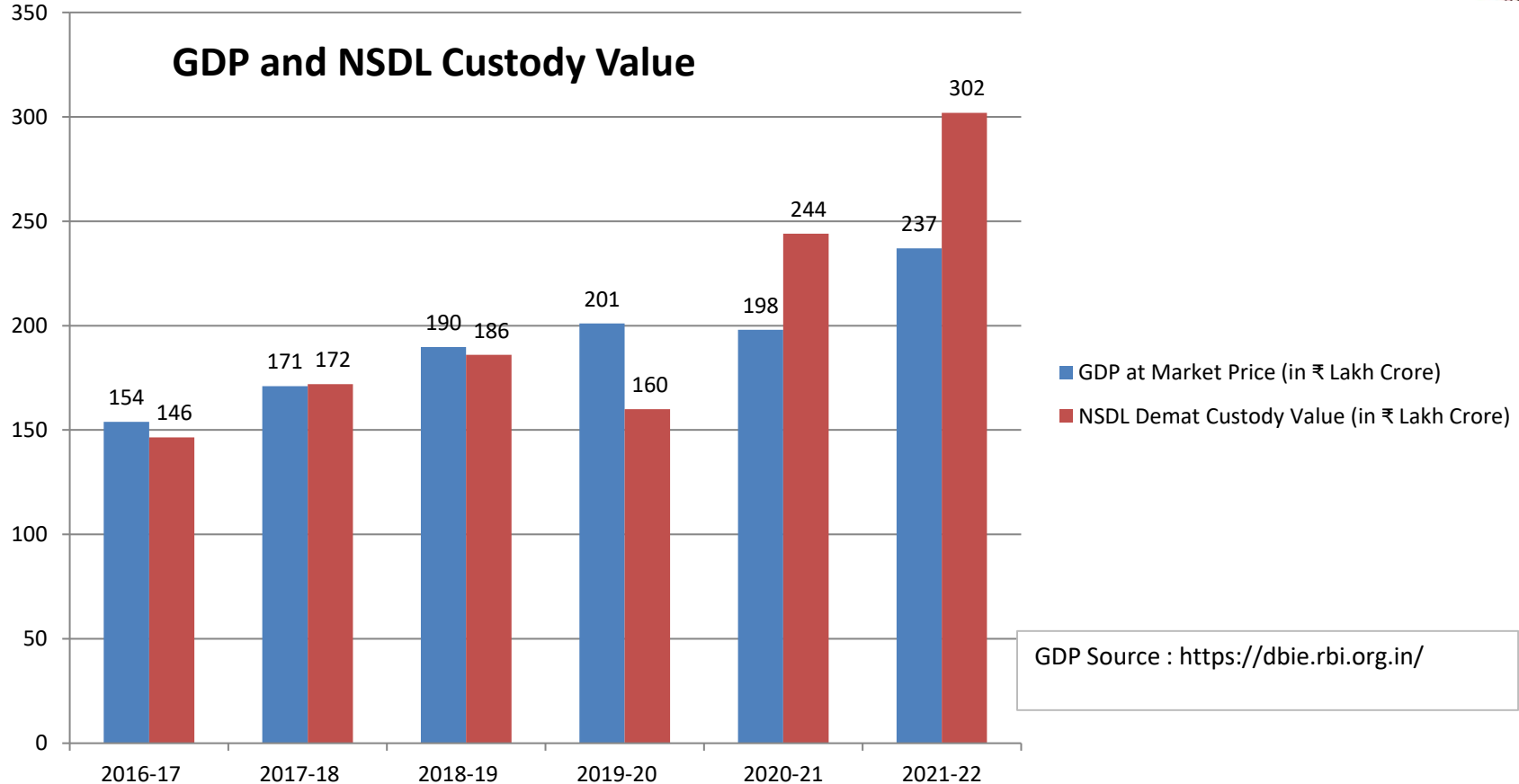


Total Value of All Assets Held In All NSDL Demat Accounts in ₹ Lakh Crore

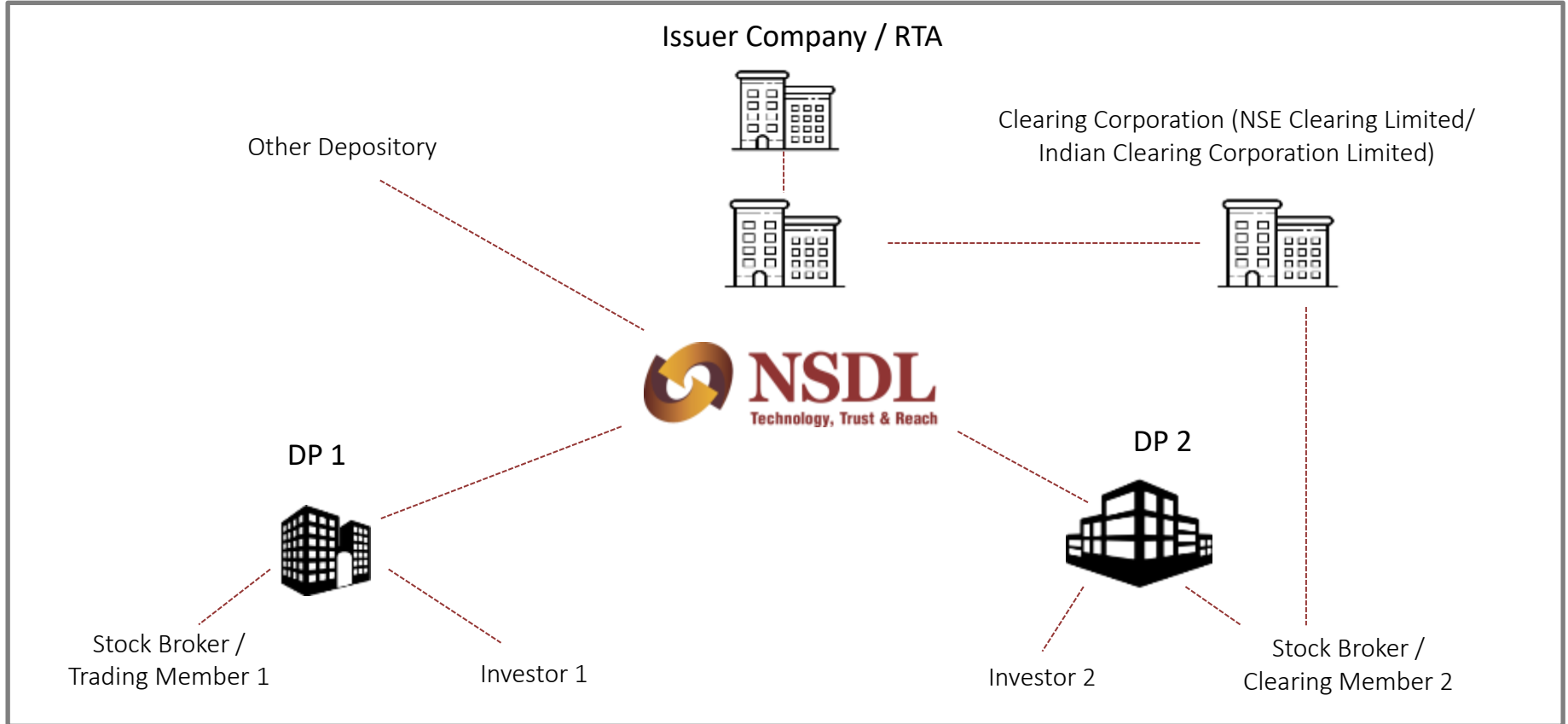
NSDL's Progress



NSDL's Progress



Indian Securities Market - Depository System



Services offered by Depository Participant



*Even unlisted shares can be dematerialized. **Transfer of securities held in physical form not allowed w. e. f. April 1, 2019. Re-lodgement of transfer deeds which were submitted prior to this, but were rejected or returned, was allowed till March 31, 2021. Shares pending for transfer with listed company / its RTA shall be issued only in demat.

Key points on Anti-Money Laundering

Legislative and Regulatory References

- Prevention of Money Laundering Act, 2002
- Prevention of Money Laundering (Rules), 2005
- SEBI Master Circular – October 15, 2019

What is Money Laundering (ML)?

- Money Laundering is “the process in which the proceeds of crime are converted and disguised as legitimate assets”

What is Anti-Money Laundering (AML)?

- Anti-Money Laundering is “the initiative to effectively prevent, detect, control and report ML activities to the authorities”

What are Suspicious Transactions?

Transactions (including attempted transactions), that may involve proceeds from a predicate offence, do not have any economic rationale, made in circumstances of unusual or unjustified complexity or gives rise to a reasonable ground of suspicion that it may involve financing of activities relating to terrorism

Key Authorities – Financial Intelligence Unit (FIU-IND), Ministry of Home Affairs and the Enforcement Directorate

Key points for all Investors

Individuals:

- Provide officially valid documents for proof of identity and address
- Furnish correct information on income, occupation, business, marital status, etc.
- Provide accurate financial information – salary or business income as applicable
- Inform about any changes to the above information
- Invest only using own sources of funds, not third party funds
- Do not fall prey to any gimmicks or schemes from anyone

Non – Individuals:

- Provide officially valid documents for proof of identity and address
- Furnish information about Beneficial Owner(s), where applicable
- Furnish all other related documents (AoA, MoA, Partnership deed, ASL, etc.)
- Provide correct information about nature and type of business
- Changes to the above information may be duly informed to DPs

Cooperate with DPs who may seek any additional information for due diligence

Be diligent and aware about various money laundering schemes

Contact your DP or broker in case of any doubts

Be a Prudent Investor



Keep record of documents signed, account statements, contract notes received and payments made. Save important emails and take periodic back up of data.

Change password of your online accounts frequently.
Never share your passwords, OTP, CVV and PIN with any one.
Never click on suspicious links received via SMS, email or social media platforms.

Read SMS, emails, letters, statements, bills sent by your broker, bank, DP and NSDL. These are sent to you to keep you updated.

Accept the DIS only if serial number is pre printed and Client ID is pre stamped or pre printed. Keep DIS in safe custody. Do not to leave the DIS “blank or signed” with the Depository Participants (DPs) or any other person/entity when not in use.

Be a Prudent Investor




Inform your DP about any change in your Personal Information such as address, bank account immediately.

Always mention your Mobile Number and email ID in account opening form and keep them updated.

NSDL publications and presentations are available in Hindi, English and other languages at www.nsdl.co.in → Education

Schedule of Awareness Programs, Registration, Feedback and Webinar Recordings are available at www.nsdl.co.in → Education

Be a Prudent Investor – Don'ts



Never deal with any unregistered or unauthorised market intermediary. Check on the SEBI's website that your stock broker / authorised person, mutual fund distributor, investment advisor are registered with SEBI.

Never invest with borrowed money. Avoid unnecessary loans and credits.

Be a Prudent Investor

**Nominate Karo - Surakshit, Samajhdaar,
aur Atmanirbhar Niveshak Bano !**



Hurry!! Last date is

June 30, 2024

NOMINATE YOUR LOVED ONES TODAY!!

Opting-in/Opting-out of nomination is mandatory in your Demat Account to avoid your account becoming inactive



SCAN TO
KNOW
MORE



SCAN TO
NOMINATE
ONLINE*

*Applicable to single demat account holder (Resident Individual) who have not opted-in/opted-out for Nomination in their demat account.

Be a Prudent Investor

Do Not Fall Prey To Stock Tips, Hot Picks etc. Circulated on Twitter, Instagram, WhatsApp, Telegram, Unsolicited SMS, YouTube Channels etc.



Be a Prudent Investor – Consult a SEBI Registered Investment Advisor and Do Your Own Homework Before Investing

Be a Prudent Investor

Do Not Invest In Any Ponzi Scheme, Unregistered Collective Investment Scheme or Any Other Schemes Promising Unrealistic Returns



Be a Prudent Investor – Consult a SEBI Registered Investment Advisor and Do Your Own Homework Before Investing

NSDL Newsletter for Investors

The Financial Kaleidoscope – Free monthly newsletter

**Invest in Women,
Accelerate progress**



www.nsdl.co.in



Education



Newsletter – The
Financial Kaleidoscope

SEBI Investor Website



<https://investor.sebi.gov.in>



Dive into Money Matters to grasp Personal Finance concepts.



Abundant Educational Resources, related to investments, including securities market



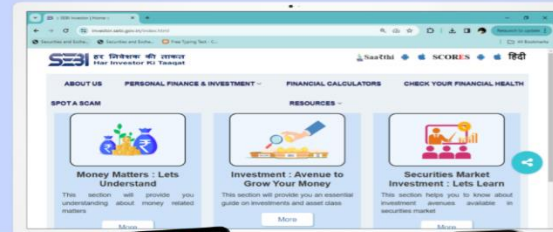
Access a range of Financial Tools and Calculators.



Evaluate your Financial Health with the easy check.

Join on a journey of informed decision-making and confident participation in the securities market.

UNLOCK THE **WEALTH OF KNOWLEDGE**
AT THE SEBI INVESTOR WEBSITE
Empower yourself in the world of investing



TO VISIT THE SEBI INVESTOR WEBSITE, SCAN THE QR CODE



Learn to Manage Your Money for Financial well-being. For more information, please visit SEBI's Investor website <https://investor.sebi.gov.in>

SEBI's Mobile App for Investor Education



SAARTHI

SEBI SCORES Education

E Everyone

 Add to wishlist



If You are holding Securities in Paper form

1. Provide PAN, KYC information and Nomination to RTA / Company for all joint holders.
2. Get PAN and Aadhaar linked for all joint holders.
3. Folio may be frozen if not complied.
4. Electronic interface provided by company / RTA for various service requests like issuance of duplicate shares, transmission, change in name etc.
5. SEBI has prescribed 'Simplified and Standard Norms' for processing of various service requests [Form ISR – 1 and other forms available on website of listed company / RTA].

Grievances Redressal

1. Read Investor Charter at www.nsdl.co.in → Education
2. Lodge your complaint with SEBI at <https://scores.sebi.gov.in/> or SEBI Mobile App – SCORES.
3. For filing dispute for resolution by conciliation and arbitration, visit SEBI's Securities Market Approach for Resolution Through ODR (SMART ODR) Portal <https://smartodr.in/login>
4. SEBI Toll free helpline - 18002667575 / 1800227575
5. NSDL helpline - 022-48867000
6. Online submission of Grievances at www.nsdl.co.in → Query related to Demat
7. NSDL email for grievance - relations@nsdl.com
8. NSDL email for other information - info@nsdl.com





Be alert.

Never click on unknown links... you may risk exposing your bank account to frauds.

Money Kumar

Beware of unknown links:

- Delete SMS/emails with unknown links immediately
- Verify details of website if it requests financial details
- Do not share personal or bank information on social media



For more details, visit <https://rbikehtahai.rbi.org.in/dp>



Issued in public interest by भारतीय रिज़र्व बैंक RESERVE BANK OF INDIA www.rbi.org.in

DigiSaathi, 24/7 helpline for automated responses on information related to digital payment options
Toll-Free Number: 1800-891-3333; A Short Code: 14431; Website: www.digisaathi.info



Be cautious while scanning QR codes to make payments. Be alert of online loan apps and quick-win lottery schemes

Beware of links offering:

- Unauthorised Digital Lending Apps
- Fake Lottery Schemes



- While making payments using QR code confirm the name on the screen
- Never download Lending Apps from unknown sources
- Do not share personal or bank information with unknown entities



For more details, visit <https://rbikehtahai.rbi.org.in/dp>



Issued in public interest by भारतीय रिज़र्व बैंक RESERVE BANK OF INDIA www.rbi.org.in

DigiSaathi, 24/7 helpline for automated responses on information related to digital payment options
Toll-Free Number: 1800-891-3333; A Short Code: 14431; Website: www.digisaathi.info



Be smart. Verify the credentials of unknown callers, investment portal sites and requests for urgent help for money through social media.

Prasidh Krishna
Indian Cricketer, RBI Employee



Beware of fraudsters:

- Do not answer calls/emails from unknown persons demanding money
- Check details of websites/Apps offering high returns
- Verify requests for urgent help for money



For more details, visit <https://rbikehtahai.rbi.org.in/dp>



Issued in public interest by भारतीय रिज़र्व बैंक RESERVE BANK OF INDIA www.rbi.org.in

DigiSaathi, 24/7 helpline for automated responses on information related to digital payment options
Toll-Free Number: 1800-891-3333; A Short Code: 14431; Website: www.digisaathi.info

Basics of Stock Selection


Why Do We Invest?

Investment is necessary to support your financial needs when you do not earn money.

1. By investing a portion of your income you allow money to grow and work for you.
2. 3 parameters to assess suitability of any investment avenue are –
 - i. Return potential
 - ii. Safety
 - iii. Liquidity
3. Various avenues where money can be invested, are broadly classified into some groups, known as 'Asset Class'. Stocks or Equity shares are most popular class of assets.



What is meant by Stock Selection?



Stock selection is the selection of one or more stock (or shares) based on certain set of criteria in order to maximise the probability of meeting the trading or investment objective.

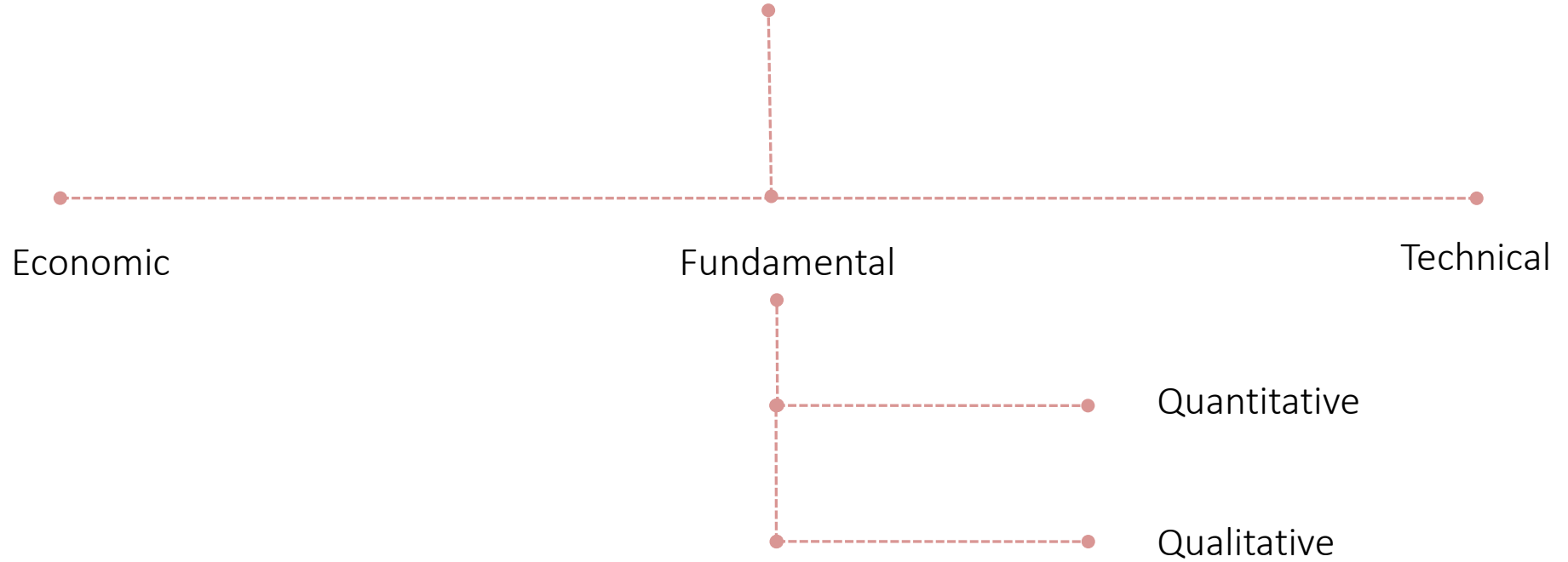
There are more than 5000 stocks available for trading or investment. None can trade or invest in all at the same time.

Hence, one needs to select a manageable number of stocks.

Fundamental and Technical Analysis are the two most preferred tools for stock selection.



Types of Analysis



Fundamental Analysis

Fundamental analysis is a method used to identify the true value of a stock.

1. The current price of a stock may not reflect the actual value of the stock. The stock may be overvalued or undervalued in the market.
2. Fundamental analysis helps investors to study the health of the company, and thus leading to the actual value of the stock.
3. This is done by using various qualitative and quantitative factors.
4. The main purpose of this method is to identify companies that are fundamentally strong in order to invest in them for the long term.



Economic Analysis

1. It involves assessing or examining topics or issues from an economist's perspective.
2. This allows investors to analyse the market from the big picture to all the way down to individual stocks.
3. By examining the economic numbers one can determine the current market strength and have a better idea of what the future holds.
4. Key Economic indicators investors must incorporate while selecting stocks:
 - i. Indices (e.g. Nifty, Sensex)
 - ii. Gross Domestic Product (GDP)
 - iii. Unemployment rate
 - iv. Inflation rate
 - v. Consumer Confidence
 - vi. Purchase Managers' Index

Types of Fundamental Analysis

Qualitative Analysis

It takes into account information that can not be expressed in numbers.

- i. It relates to the company itself.
- ii. Factors – examples –
 - a) Management experience and performance
 - b) Corporate governance
 - c) Industry and competition etc.



Types of Fundamental Analysis

Quantitative Analysis

- i. It is related to information that is shown in company's financial statements. It involves measuring simple statistical data to complex calculations.
- ii. This analysis helps you to evaluate investment opportunities such as when to buy and sell securities.
- iii. Factors – examples -
 - a) Company's revenues
 - b) Profit margins
 - c) Return on equity
 - d) Future growth potential
 - e) Financial ratios



Using Financial Ratios for Fundamental Analysis

1. Price To Earnings Ratio

- i. It is one of the most widely used financial ratio analysis.
- ii. Computation - Price Per Share / Earnings Per Share.
- iii. As a thumb rule, a low P/E ratio is preferred while buying a stock.

2. Price To Book Value

- i. Computation - Current price of the stock / Book value per share.
- ii. A lower P/BV ratio could mean that the stock is undervalued.
- iii. However, the definition of lower varies from sector to sector.

3. Return On Equity (ROE)

- i. It is the amount of net income returned as a percentage of shareholders equity.
- ii. Computation - $\text{Return on Equity (Net Income) / Average Stockholder Equity}$.

4. Debt To Equity Ratio

- i. It measures the relationship between the borrowed capital (i.e. debt) and the capital contributed by shareholders (i.e. equity).
- ii. Computation - $\text{Total Liabilities / Total Shareholder Equity}$.
- iii. As a thumb of rule, companies with a debt-to equity ratio more than 1 are riskier.

5. Current Ratio

- i. It is a key financial ratio for evaluating a company's liquidity.
- ii. Computation - $\text{Current Assets} / \text{Current Liabilities}$.
- iii. As a thumb rule, a company with a current ratio greater than 1 is better.

Technical Analysis



It focuses on the stock market, rather the company.

It seeks to predict price movements by examining historical data, mainly price and volume.

The underlying idea is that the market price already reflects the fundamentals of any given stock, which therefore can be ignored.

It is a good idea for investors to leverage both technical and fundamental analysis to fill the gaps.



Basic Terms Used in Study of Price Charts

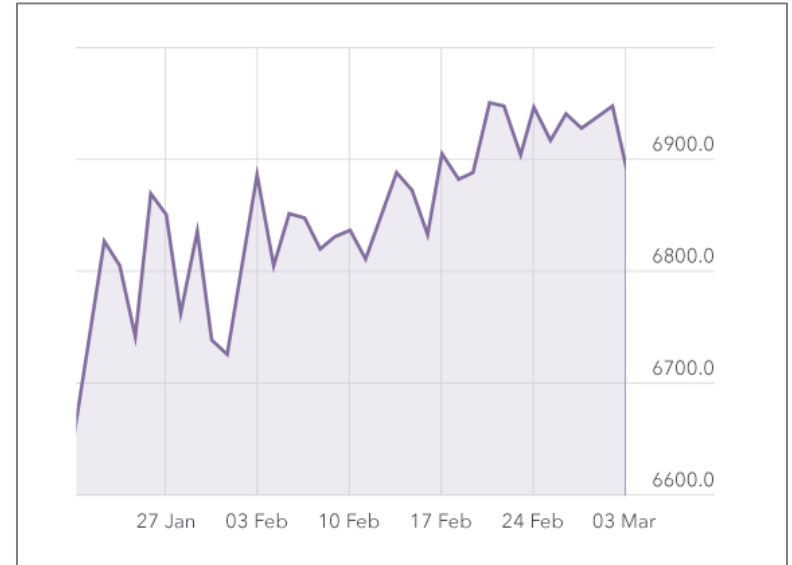
Term	Meaning
Support Level	A level below which the price will likely not fall
Resistance Level	A level above which the price will not likely rise
Breakout	When a stock rises above its resistance level or falls below its support level
Trend line	A regression line that predicts future prices based on past prices
Relative strength	Ratio of the percentage price change of a stock to the percentage price change of a broader index or another stock

Price Charts

Technical analysts use a variety of charts based on the information they seek. However, there are three types of charts that are most commonly used. They are: Line, Bar and Candlestick

Line Chart

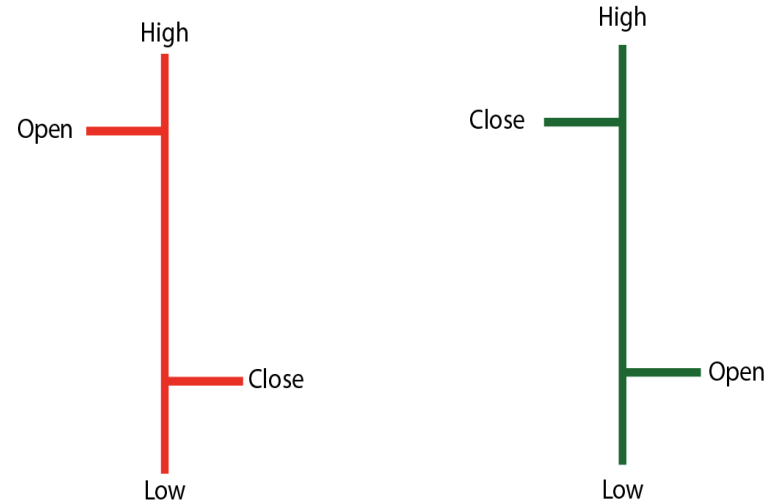
1. It plots the closing price of a share for each trading day over a period.
2. The line formed by joining the dots plotted on the graph shows the movements in stock price during the period.



Price Charts

Bar Chart

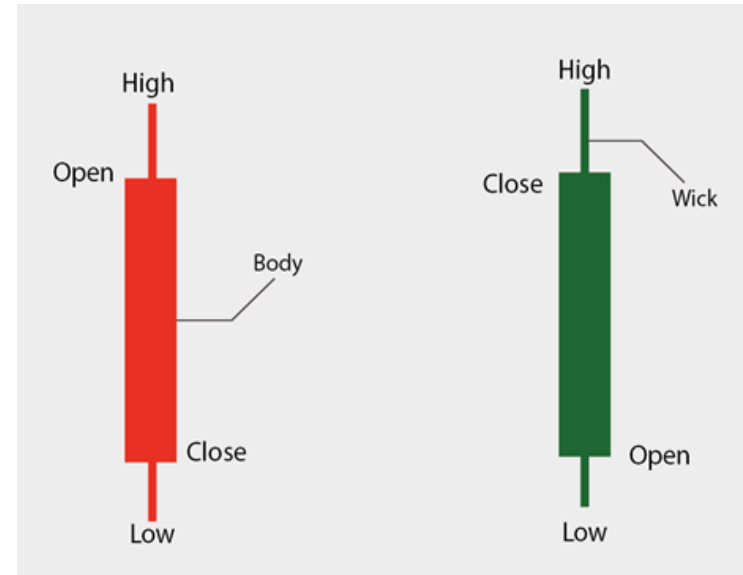
1. It plots the intra-day high and low prices of a stock using a bar for each trading day for a specified time period.
2. The top of the bar corresponds to the day's high and the bottom, day's low.
3. Two additional horizontal lines indicate the opening and closing price. The length of the bar is proportional to the volatility in a stock.
4. Colored coded - If the share price closes above the open price it is colored green, and if the close is below the open the bar is colored red.



Price Charts

Candlestick chart

1. It displays the relationship between the high & low and opening & closing prices of a stock.
2. The body of the candle represents the opening and closing prices during the period.
3. Above and below the body are vertical lines called wicks or shadows that show the lows and highs of the traded prices.
4. While an individual candle provides sufficient information, patterns can be determined only by comparing one candle with its preceding and next candles.



Difference between Fundamental & Technical Analysis

Fundamental analysis	Technical analysis
Analyses stock value based on economic and financial factors	Analyses historical stock movement to predict the future price of a stock
Long-term approach	Short-term approach
Uses financial statements for analysis	Uses price movement charts for analysis
Incorporates new market information	Focuses mainly on past performance

5 Steps Approach For Great Stock Picking

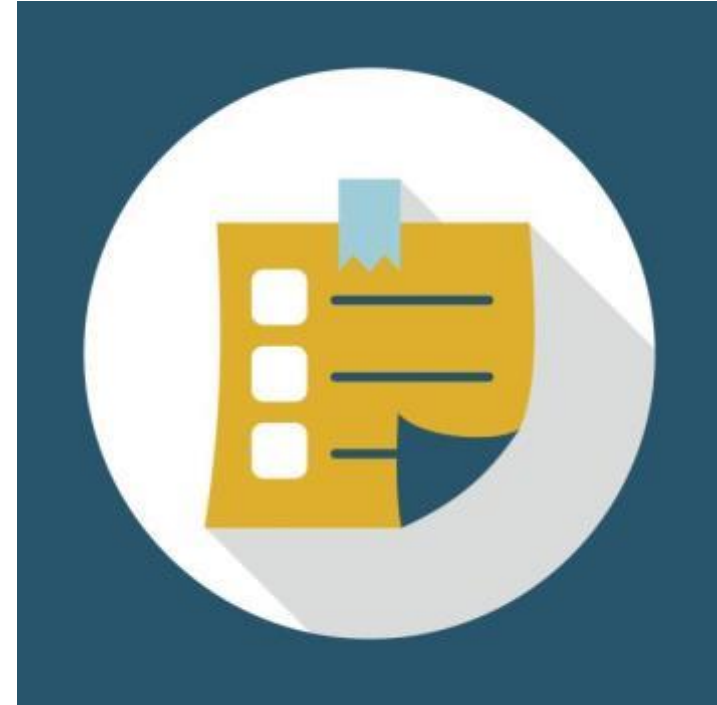
1. Approach stock purchases as buying a business rather than just a stock purchase in the portfolio.
2. Evaluate the true worth of the business considering the future earning potential.
3. The margin of safety is the real risk containment measure, and not stop loss.
4. Do not depend on turnaround as it seldom occurs.
5. Invest for the long term to generate inflation-adjusted superior returns.



So when one asks how to choose stock to invest in, the real question, is how to identify a great business and what all parameters should be used to identify it?

Remember

1. Always remember your financial goals and investment timeframe.
2. Review your financial goals periodically, at-least once in 5 years.
3. Risk and Return profile of various assets are not constant.
4. Consider taking help from a registered and qualified Investment Advisor.
5. No stock remain the best all the time. Market is dynamic and you need to review your portfolio periodically.





“Investing money is the process of committing resources in a strategic way to accomplish a specific objective.”

Alan Gotthardt

Be a Prudent Investor



Happy Investing

Demat Ki Paathshala - An initiative by NSDL for Investor Education

Follow us on



The background features a light blue and white color scheme with various data visualization elements. On the left, there's a grid of blue dots forming a shape, with the number '25468132' to its left. In the center, there are several numerical values: '0.332548', '0.3548621', and '0.89521453'. On the right, there's a blue arrow pointing upwards and to the right. The bottom right corner shows a bar chart with blue bars of varying heights. The overall theme is data and technology.

THANK YOU

We welcome your feedback and suggestions about this program at www.nsdل.com.in /
info@nsdل.com