# MARKETCRY

INVEST A LITTLE BETTER!

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# From the Editor's Desk

It gives me immense pleasure to bring to you dear readers the first issue of our investment magazine **"MARKETCRY".** Thanks to the entire team who worked round the clock to ensure that this magazine reaches you in the right quality, form and time.

The launch could not have been more appropriate. The current year that is drawing to a close saw the benchmark indices rise up to 21 %. It is an acknowledged fact that the best performer among all asset classes has always been equities. Even the perennial favorites- gold and real-estate- have taken a beating when pitted against equities. The quickest way to make money is to buy as many shares with the entire money he/she has. Time and again whenever the retail investor makes a heady rush to buy equities the market gets set for a crash. And it is this retail guy who burns his fingers most.

Here at **'MARKETCRY'** it is our ultimate objective to provide guidance to the common man about equity investing. The primary audience for this magazine is every man and woman who is starting out in their investment journey. Others who have even a remote interest in personal finance may also find it a worthy read. At the moment the grand festivals are just behind us, but let that not deter me to offer my best wishes to you all!
So, leave behind the worries and gradually unwind with this mag in your hands!

**EDITOR**

**Sunny S.**

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Premchand Roychand


The Bombay Stock Exchange today

### *Back in Time: A Brief History of the Bombay Stock Exchange(BSE).*

It all began in nineteenth-century Bombay. The man was Premchand Roychand. An influential business figure of the time Roychand became a broker in 1849.

Around 1855, there were only about twenty-two stock brokers who did their business under the shade of banyan trees in front of the city's Town Hall. It was a flourishing trade; the number of brokers grew and the location had to be changed frequently.

When this tiny group reached a formidable size Dalal Street became the preferred location in 1874. "The Native Share and Stock Brokers Association" of which Roychand was one of the founders, came into being the following year.

And this organization eventually became the Bombay Stock Exchange(BSE).

BSE also happens to be the oldest stock exchange in the whole of Asia.

After gaining the government's recognition in 1957, BSE acquired national importance.

The electronic trading system we all are familiar with today started in 1995.

Prior to that, they had the open outcry system. It was something akin to a live auction. If one were to buy or sell shares he would gesture by hand!

Although there are many indices each representing different industries and sectors on BSE, the BSE Sensex is the index of the thirty best companies by market capitalization, liquidity and representation of various industries.

The bull market that began in 2014 propelled the Sensex to an all-time high of 32,575.17 in August this year. The base year is taken as 1980 and 100 as its value.

Think for a moment what even ten-thousand invested back in 1980 would now be worth!

# Market News

**TCS Q2 Results**: India's IT heavyweight TCS reported a 2.1 % decline in the second quarter net profit to 6446 crore from 6586 crore in the same period last year.

Total revenues increased by 3.2% to Rs. 30,541 crore compared to Rs. 29,584 crore in the previous quarter. On a yearly basis revenues rose by 4.3%

TCS Dividend Announced: At the board meeting held on October 12, 2017 a Second Interim Dividend of Rs. 7 per equity share of Re. 1 each was declared.

This Dividend shall be paid to equity shareholders of the company on November 01, 2017.

TCS Press release: TCS has been recognized as a leader in Life Sciences Social Media Analytics by IDC MarketScape. According to the report, "TCS possesses considerable resourcs to support its global customers, and it was highly rated by social media analytics customers for account management and overall value."

**ONGC Dividend:** ONGC has fixed November 06, 2017 as the Record Date for payment of First Interim Dividend.

**AXIS Bank Q2 Results**: One of the leading private sector banks Axis Bank posted a 35.51% year-on-year rise in net profit. This second quarter net profit stands at 432.38 crore while the corresponding quarter of last year profit was 319.08 crore.

The percentage of NPAs(non-perfo--rming assets increased to 3.12% in Q2 FY18 against 2.30% in Q1 FY18.

**Wipro Q2 results**: Wipro has reported a 5.5% rise in quarter on quarter and 6% in yearly basis in net profit at Rs. 2191.7 crore for the quarter ending September, 2017.

In the year ago period net profit was 2067.2 crore against revenues of 13,765.7 crore.

**India's first gold options trading launched:** On Dhanteras the Finance Minister Mr. Arun Jaitley launched the first gold options trading on the Multi Commodity Exchange (MCX).

The lot size for gold commodity options would be Rs. 30 lacs.

The contracts expire in November and January 2018.

**SBI Life hits the markets:** The shares of SBI Life opened 4.75% up on the BSE at Rs. 733.30 against issue price of Rs. 700 at the upper band of the IPO. At closing it accumulated a gain of 1.1%.

**Godrej Agrovet gets listed:** Shares of Godrej Agrovet made a superb listing at 33.8% premium over its issue price of 460. It closed at a gain of 29.4% for the day.

## *Mahurat Trading Concludes*

For Samvat 2074 the markets started off on a downward trend. The initial gains could not be sustained as the majority of participants chose to book profits.

The BSE Sensex shedded 194.39 points to close the session at 32,389.96. while the NSE Nifty fell 64.40 points to 10,146.50.

Global news as well as the fall in Bank Nifty dragged down the markets. Private banks were the worst hit plummeting the Bank Index by as much as 1.25%.

After rallying about 20% so far in 2017 the markets are experiencing a natural slowdown. So long as Nifty trades above the mega milestone of 10,000 there are no causes of worry.

This Mahurat Trading that is conducted on Diwali is a time-honored tradition that dates back far into history. It also happens to be a noteworthy event for stock traders and investors in North India as it marks the beginning of new Samvat or new year.

The trading time lasts exactly an hour in the evening. Lakshmi Puja is performed, new shares are bought for one's children or for the family to hold for the long term.

As such it is an auspicious occassion. it is believed shares purchased during this evnt bring good luck and prosperity.

Since Diwali of 2016 and till the 10th of October this year the Sensex delivered a 14% return and its counterpart of the NSE the Nifty managed a healthy 16% .

It is interesting to note that last year was quiet an eventful one with market crashes, demonitization and Trump winning the US elections. In February 2016, the Nifty made a low of 6869. And that translates into a rise of 47% in 20 months till October 2017. And two months are still left for the year to pass by. This proves the ultimate strength of equities!


***Buying Unlisted Shares by Sunny.***

Quiet a tempting proposition, isn't it?

Those who have been fortunate and patient enough they bear testimony to the massive returns delivered by the shares of a few unlisted companies.

For instance, Lux Industries created a mountain of cash for investors when it came out with an IPO in 2015. Anybody who bought into Lux even five years prior to the IPO would have made a return of 4000%. That's an astonishing figure indeed!

ICICI PRU LIFE was the first private insurer to go public. Though the share prices fell below the issue price on listing day, it still doubled investors' money in two years.

Another hot and trending avenue lies in the start-up space.

The household names Flipkart, Makemytrip, Paytm have valuations in a few billions of dollars. And this is a feat that even hundreds of listed companies could not boast of!

However, start-ups pose the biggest risk in terms of investment. Many start-ups don't survive to see the first year and the few that do vanish in the next few years. With thousands mushrooming everyday and their supposedly potential to be a unicorn it is no walk in the park for the common investor.

Add to it the fact that these companies are run by 20-something who are fresh out of college. Not the right people to trust one's people by the way!

Checklist for Unlisted Shares:

Investing in unlisted shares comes with strings attached. While liquidity issues seem the most obvious there are others that one needs to be mindful of before writing the cheque.

First, the industry the company operates in. It is the industry that determines the size of the market.

It is easy compare the company in question to its listed peers. Investors would do well to find the answers to the following.

a. Who are the key players?
b. What barriers to entry are there?
c. What challenges and threats could come up in future?
d. Is the market growing or declining?

Secondly, get to know the company itself. Study the last three years(five years is even better) annual report.

One could make the following observations:

Growth in overall sales is one of the most basic indicators that the company is doing well.

Net income is another metric. Be careful of “Exceptional items” in the statement. Net income should come from sales only and not from other sources.

Growth in profit-after-tax(PAT). A company could be having high EBIT(Earnings before interest and taxes) but the true measurement of profitability is PAT.

Thirdly, the quality of management of the company. This is such an overlooked aspect that it should have been mentioned first. Unlike the smart money that buys huge stakes the ordinary investor has no clue about the people running the organization.

Before putting money one should study the promoter group, the directors and other top personnel. Background of the promoter should be especially checked for any fraud, criminal records and such.

The case of the start-ups.

With start-ups financial statements might not be easily accessible. Even if it becomes feasible, the firm could still be far from profitability.

For, start-ups are a different breed and the parameters applicable here are different from a traditional business. In some cases the market could be non-existent if the product/service is truly revolutionary.

So, what to look for?

First, study the product/service: It is a given that what the startup offers should be innovative. All the while it needs to be simple enough to be easily adopted by the target consumers.

Flipkart is a business model not entirely unique but it leveraged technology to fix the target consumers. Flipkart's business model is not entirely unique but it leveraged technology to fix many bugs that plagued the first movers. By the time Flipkart became a behemoth that it is, the early players were wiped out.

The rest followed suit. From grocery to medicines nothing has been left out to deliver to the customer's door-step.

So, if an entrepreneur pitches about his latest online shopping startup you would rather walk away.

Secondly, growth in top line: This is one of the few key areas to be given importance. Not just growth in revenues but exponential growth. This is often done at the expense of profits in order to gain market share.

Zomato, the online restaurant search and food delivery startup broke-even in 2016. The revenue for FY2017 grew up by 80.6% to Rs332.3 crore from Rs 183.9 crore in the year ago period. And Zomato did not stop there: it reduced its loss too, from Rs 590.1 crore in 2016-2017 to Rs 389 crore in 2015-2016.

Thirdly, the funding stage of the startup.

Seed Stage: This is the starting point and the money invested sets the ball rolling. Often the capital is one's own savings or borrowed from family and friends. Outside investors do not find a place at this stage unless he/she happens to be a member of the core team.

Angel investor stage: At this stage revenues start pouring in. Funds required at this stage are necessary to improve the product/service, to spend on promotion and marketing, or to hire more employees.

In the US to be an angel investor one must meet the Securities and Exchange Commission's (SEC) criteria for accredited investors. And that means having a minimum

Angel investors, by the way, are more than a bunch of wealthy individuals with ready cash in hand. They are venerable experts in fields like technology, finance and accounting, business development or strategic planning and provide invaluable mentorship to the entrepreneur and his team.

Risks are still awfully high at this stage and should the startup fail angel investors lose their entire investment. If the odds are beaten out an internal rate of return(IRR) of 25-30% is very likely.

The entry of Venture Capital is a mega milestone in the life of a startup. By now high growth is evident in revenues.The valuation would have also risen multiple times since the angel stage. The entrepreneur's stake would be down by a significant size and the VentureCapitalists often have a controlling stake. As a rule, several rounds of funding occur.

On a final note, there is no such thing as a right time to invest in a startup. True that one must be a market-hardened investor to make a positive return on the investment. For the rest who would like to play safe, finding those gems with sound financials and marquee promoter backing is often the right choice.

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### *Choosing the best mutual funds by LNS.*

Mutual funds (MF) are the type of investment vehicle that every beginner investor should start with.

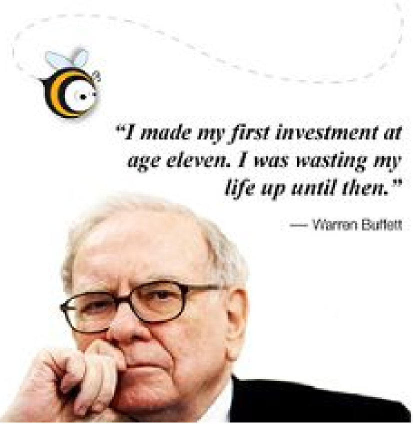
On the contrary, many begin with stocks first. This is fine so long as one has done his homework and understands how the market works. Now despite SEBI making efforts to promote funds among the public, only a tiny percentage buys into MF schemes.

The advantages of mutual funds are numerous. It has been proven time and again that it takes less capital, less research and less time to profit from funds than from stocks. Among all the plus points of MF, one that is incredibly paramount is the professional management of the funds.

True, not every fund manager would be able to beat the markets every time. As is the nature of equities, however, safety of principal is essential too.

In the market today there are enough schemes with innumerable options to fill a fat book. For the purpose at hand we shall confine ourselves to equity schemes with growth option.

Below are a few tips to help you choose the best mutual funds.




Ratings: This is the first thing that investors look for. One caveat is the ratings assigned by agencies such as Value Research and ICRA are indicators of past performance and the same may not materialize in the future. A fund manager could underperform in some periods of time leading to downgrade of ratings.

This should be a starting point and not the ultimate test when picking a fund.

Quality of AMC and size of the AUM: The Asset Management Company(AMC) is the company which manages the manages the assets of the fund. In other words, they make investment decisions on behalf of the investors.

As such, the quality of people at AMC is a critical factor. Quality of an AMC should take precedence over the size of the fund.

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Time Horizon: While past performance is no indicator of future return it is an important metric. The longer a fund has been performing well the higher the chance it would continue to do so in the near future.

Also, it is harder to choose a top fund during a bull phase than during a downtrend. In 2014-2015 when Modi mania gripped markets a host of funds delivered a 100% return. However, in the past two years such winners have mostly underperformed.

Sector-focused and Diversified funds: One gross mistake one could make is to choose performance based on a particular sector(s).

Likewise, the commodity-based funds would perform better or worse depending upon the commodity cycle. True that in certain scenarios(read right timing) a commodity fund would mostly outperform.

A diversified fund, on the other hand, spreads the risks across multiple companies and sectors.

Buying into a diversified fund automatically provides risk mitigation.

Rules to live by when hunting for mutual funds-

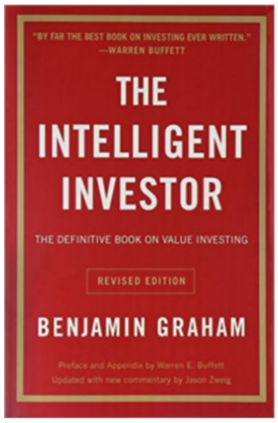
1. Know your requirements. A fund scheme with more exposure large-cap companies would provide stable return than a mid cap one. In the long run a large cap fund would deliver adequate annualized return with less volatility.

2. Study the fact sheet thoroughly before putting money. MF distributors push schemes to investors that make them higher commissions. A fact sheet is a monthly document that contains each of the scheme's objectives, past performance, portfolio holdings, benchmarks, etc. as well as details regarding the fund manager(s).

3. Avoid sector focussed and thematic funds for short term. Also, knowledge about the sectors is an essential precondition to investing.

Best investment books of all time by Preety

The Intelligent Investor:  Written by Buffett's mentor Benjamin Graham and published first in 1949 this is one book every beginner investor should read. Although largely an elucidation on the concept of value investing, it is nonetheless a classic on investing in general. Here, Graham personifies the stock market as a fellow who roams about town everyday to show up at the shareholders' door. Mr. Market's business is to buy and sell shares. As such he offers price quotes for various stocks. The shareholder may buy, sell or ignore him completely. There is no compulsion at all; Mr. Market shall again come another day with a different price.




One Up on Wall Street: The author, the superstar fund manager Peter Lynch maanged the Magellan Fund at Fidelity Investments in the 1980s where he delivered close to 30% annual return. Through this book Lynch demonstrates some crucial investing tenets that one must follow before buying stocks. Among them 'Invest What you Know" is quiet a popular one. This means investing in those companies that one has good knowledge of. He further extolls the virutes of patience in investing.