



In this Article, I will share some of the important points one should consider before making investment in any specific shares of the Company & you will yourself will become an expert where one would not need to ask any person –

“Which Company should I Invest?” or

“What amount of return I will get?” or

“How much should be holding period?” or

“Is the right time to invest in this Company?” etc. etc.....

To begin with,

Before making any investment in any specific share, kindly go through all the below points as you are investing your hard earn money.

Find a “Target” —————▶“Right Time”—————▶“Other Factors”

(A) Find a Target (Fundamental Analysis)

First of all one should identify the list of companies where he/she could invest his money.

To prepare a list, one should see

- Whether Company Top Line (i.e. Sales) is increasing continuously. Unless and until top line does not increase and just Profits are increasing means that there is some catch and one should do deep analysis before investing.
- Whether Company Gross Profit or Operating Margin is increasing over a period of time or it is stagnant or on a declining path. Margins of any business are very important. If company is just increasing the revenue at the cost of the reducing the margins significantly then it is not a good sign for an investor.

- Whether Company is investing in its Fixed Assets. The Company who invest in its Fixed assets means that it believe in its potential of the business which is very important message for any investor
- Look to the Company's Cash Flow Statement. Whether Company is generating cash flow from its operating activities? Whether Company is investing that money efficiently by looking to "Cash flow from Investment activity" and "Cash flow from Financial Activity"
- Look to the related party transactions. Whether company is generating the revenue from the transactions with related party only? Or Company is giving huge loan to its related parties?
- Look to the Management / Promoter of the Company, their experience in that industry, their interviews with the TV Channels & their past record. Also see promoter shareholding whether it is reducing or it is pledge
- Look to the Company customers profile from its website. Whether they are reputed ones or not.
- Whether Company's financial cost is increasing year after year. If answer to that question is yes, then it means the investor's money are going to the lender's pocket. Company should not have high debt to equity ratio.

(B) Right Time (Technical Analysis)

Once you prepare the list of the companies where you can invest, see the below points

Whether it is the right time now to invest or

Whether one should wait more and keep in its watch list & when time comes invest that share.

- Always look to the Company's EPS (Earning per Share) & P/E (Price Earnings Ratio) with respect to the Industry P/e at current market price. Remember that a new company will always have higher EPS & growth % which does not mean company is good to invest. For E.g. A new IT Company makes Sales of 10 Crores in 2016 and 40 crores in 2017 will have higher EPS as compared to a company who has 1000 crores in 2016 and 1200 crores in 2017.
- See the technical chart of the Company. It might be possible that a good Company's share might be reducing and investor should always wait for its consolidated price i.e. wait till it again start increasing. By doing this, you will always invest at a price which is a bottom of that company which will give you tremendous return in future.
- See the Delivery % ratio of that company over a period of time. Higher the ratio generally triggers that the people are more interested in keeping as a "Portfolio Stock" rather than as a "Trading Stock"
- When you see the chart price of that company, See past 3 months, 6 months, 1 year, 3 years & since beginning along with volumes which will give you overall history and you make decide your time to invest.

(C) Other Factors

- Once you are done with Fundamental + Technical analysis, look to the overall industry in which company operates. For e.g. as Crude prices are at low price

compared to 3 years back, it is but obvious that all the oil companies would have generated more profits in last three years.

- Look to the Government policies and anticipate the industry where government focus is.
- Look to the Company's press release and any events happening from the respective stock exchange website

All the three factors are important and it is not like that fundamental is more important than technical or vice – a versa. All the above information are available at the stock exchange websites and some of the information is also available from the company's website .

Apart from this, investing in share market is about predicting the future of that specific shares/ Company. However all your analysis holds true only and only when everything goes smooth and without any hindrances otherwise, nobody in this world can predict the future which has so many uncertainties.