

Preface to Third Edition

“How many millionaires do you know who have become wealthy by investing in savings accounts? I rest my case.”—Robert G. Allen

Investment in stock market has witnessed unprecedented growth worldwide especially in the last two decades. Growth in stock market has been parallel to the growth of economy. Investing in stock market requires requisite skills and adequate understanding of market dynamics and tools of investment. As compared to developed stock market where about 30 to 40 per cent of the population participate in stock market, the stock market participation is meagre in India, just about 2 crore equity investors which makes only 2% of the total population. It shows the potential for both vertical and horizontal growth of Indian Stock Market. The plausible reasons for very low stock market participation in India include the more conservative or risk averse nature of Indian investors as well as inadequate knowledge and education regarding stock market instruments, tools, process and trading mechanism. The primary objective of introducing a paper on Investing in stock markets is to fill up this void and educate young minds for investing in stock market in a judicious way.

“An investment in knowledge pays the best interest.” – Benjamin Franklin

The present book “Investing in stock market” is written with objective of providing the user a comprehensive understanding of the investment environment, investment decision process and trading mechanism in stock market. It explains various concepts, tools and techniques related with investment in financial assets with lively examples and suitable illustrations. The focus of the book is investment in stock market primarily equity shares.

In the third edition of the book, some new topics have been added to ensure a comprehensive learning experience for the readers. In Chapter 1, the technical concepts of financial markets like **IPO, FPO, Offer for sale, Book building**, etc. have been elaborated and differentiated from each other for conceptual clarity. In Chapter 2, Cash Flow Analysis has been introduced as an additional tool of company analysis. Moreover, **Price revenue ratio**, a modern ratio for analysing financial position of a company, is discussed in detail. Readers will also learn about how to interpret the **shareholding pattern of a company** while taking the investment decision.

*Chapter 5 warns investors about most **common mistakes to be avoided** while investing. It introduces readers to **more theories, chart patterns for technical analysis**. The latest option of **Systematic Transfer Plans** in mutual fund industry is discussed in Chapter 6. The book has **most recent data tables, facts and information regarding stock markets**, for instance **India's first international stock exchange** established in 2017. Moreover, latest University examination question papers have been added for students.*

The book comprises of 11 chapters. First Chapter provides basics of investment including the concepts of risk and returns. Chapter 2, Indian securities market, provides a comprehensive overview of stock exchanges in India including BSE, NSE, MCX etc. The focus of Chapter 3 is on Online Trading which is gaining popularity in India. Chapters 4 and 5 deal with equity valuation by explaining fundamental analysis and technical analysis using various tools and techniques. Chapters 6 and 7 deal with investment in mutual funds. Chapter 8 provides a detailed description of futures and options while Chapter 9 discusses how can an investor invest in these instruments. Chapter 10 deals with Commodity derivatives while Chapter 11 provides detailed description on Currency derivatives.

There are many salient features of the text presented in this book like - Learning outcomes - Every chapter begins with a list of learning outcomes which the reader will achieve after successful completion of the chapter. It sets the broad framework for the chapter, followed by Main Text- where various concepts and techniques have been explained in a lucid and well knit manner. Wherever required the explanation is supplemented by suitable illustrations, figures and examples. Each chapter provides sufficient number of solved problems for better understanding and application of the concepts explained in the main text. Summary points to recapitulate the concepts and tools are provided at the end of chapters. It helps the reader to glance over the entire discussion presented in that chapter. Every chapter provides a variety of assignments to test the knowledge of the reader. It comprises of True/False statements, theory questions and numerical problems. The topic of Investments is very lively and the reader may want to apply various concepts and techniques in real life. For this "project work" is provided in most of the chapters. Project work helps the students and other readers of this book to actually apply various concepts of investments in real life.

Sufficient care has been taken while preparing the manuscript for the book. However there may be some unintentional errors. Readers are welcome to send all comments, suggestions at vanitatripathi.dse@gmail.com or niiti.98@gmail.com

Happy reading!

January 2019

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