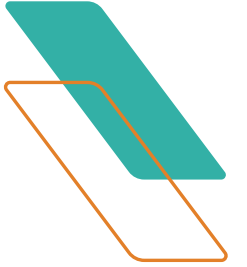


Handbook for the  
**Financial Wellbeing Journey**  
**Investing In Stocks**



# Introduction

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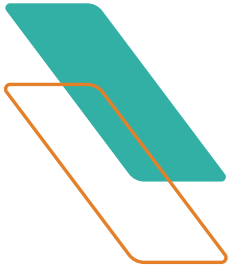
Thank you for your interest in the Financial Wellness program.  
Hope the program was insightful with many implementable take-aways.

Here is a Handbook which gives a glance:

- Direct Equities Vs Mutual Funds
- Factors to consider while picking stocks
- Financial Ratios & Other concepts in Fundamental Analysis
- Do's and Don'ts of Equity Investing
- Useful video/ calculator links to help you with further information
- Finsafe Tips



# Direct Equities Vs Mutual Funds



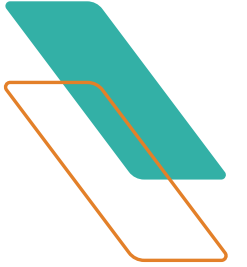
## Comparison between Direct Equity and Equity Mutual Funds

Feature	Direct Equity	Mutual Funds
Investment amount	Larger investment needed for diversification	Smaller investment needed for diversification
Research effort	More analysis needed for stock selection	Less analysis needed for fund selection
Risk return profile	Can be higher even with diversification	Lower as easier diversification possible
Tax efficiency	Less tax efficient as sale/rebalancing triggers taxes	More tax efficient as taxes applicable only on sale of MF
Holding period	Can be short, medium or long term	Usually, long term



# Factors to consider while picking stocks

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## Investing Styles:

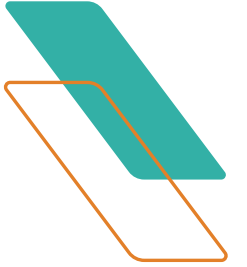
- **Growth Investing** – Investing in companies that will derive most of their growth in the long term
- **Value Investing** – Investing in companies that are undervalued

## Fundamental Analysis:

- **Accounting Framework** – Balance Sheet, Income Statement and Cash Flow statement
- **Financial Ratios** – Profitability ratio, Efficiency ratio, Leverage ratio, Return on equity (key measure)



# Financial Ratios



## **Profitability Ratio:**

Profitability Ratio = Net Profit/ Sales



## **Efficiency Ratio:**

Efficiency Ratio = Sales/ Total Assets

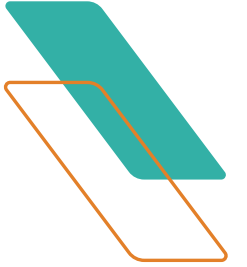


## **Leverage Ratio:**

Leverage Ratio = Assets/ Shareholders Equity



# Fundamental Analysis – Other Concepts



## Free Cash Flow

Cash flow after all payments that are available to shareholders and debt holders

## Earnings Quality

Ratio of Cash Flow from Operations to Net Income

## Working Capital

A lower working capital via current ratio would indicate better use of assets

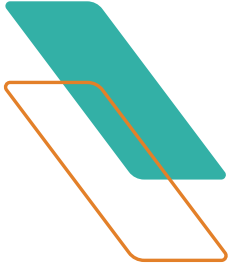
## Valuation

Price to Earnings ratio or Enterprise Value to EBITDA are the primary valuation ratios



# Equity Investing – Do's & Don'ts

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## Do's

- Stay invested for the long term as markets move in cycles
- Diversify across large, mid and small companies based on risk profile
- Have a minimum of 15 and maximum of 25 stocks in your portfolio
- Invest only 10 to 15% of equity allocation in direct stocks

## Don'ts

- Don't chase price momentum while choosing a stock
- Don't invest more than 20-25% in a single sector
- Don't invest more than 12 to 15 percent in a single stock
- Don't engage in short term speculative trading
- Don't borrow and invest in stocks



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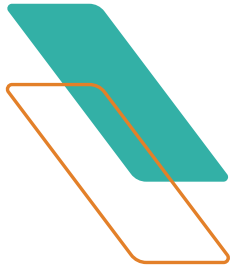
Women and Money 4:





# Disclaimer

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