POCKET GUIDE · MINI

₹49 EDITION

The Stock Market, Without the Guesswork

The 20-minute reality check every beginner should read *before* opening a demat account. No tips, no "sure-shot" calls — just how the machine actually works.

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Pocket Insight Guide

WHAT'S INSIDE

Everything that matters, in pointers

This mini gives you the honest map of the market in 20 minutes: how shares move, how to open an account, how to read a stock and a chart, how to size a trade — and the SEBI data on why most traders lose. Read it once and you'll already know more than most people who open a demat account on a friend's tip.

THE ONE IDEA TO HOLD THE WHOLE WAY

Owning good businesses through an index fund and trading derivatives are the same building with two completely different games inside. This book is educational — how the machine works. What you buy is always your decision.

CHAPTER 01

How the market actually works

- **A share is fractional ownership** — buy one share of a paint maker and you own a sliver of its factories, brands and profits.
- **Two exchanges matter in India:** NSE (~1,717 listed companies, world's 5th-largest by market cap, ~$3.66T) and BSE (Asia's oldest, est. 1875, crossed $5T on June 17, 2026).
- **The three-account triangle:** bank account (money), trading account (places orders), demat account at NSDL/CDSL (holds shares). Your shares sit at the depository — never with the broker.
- **Nifty 50 & Sensex are scoreboards:** the Nifty tracks 50 big NSE companies (~54% of NSE's free-float value); financials alone are ~37% of it. The Sensex has compounded ~15.4%/yr since 1978-79.
- **Size buckets are official, not vibes:** SEBI ranks every listed company — top 100 = large cap, 101–250 = mid cap, 251+ = small cap. AMFI republishes the list every January and July.
- **Hours & safety nets:** market runs 9:15–3:30, settles T+1 (India was first to go fully T+1), and circuit breakers halt trading at 10/15/20% index moves.

YOU'RE ONE OF 13.1 CRORE

NSE crossed 26 crore investor accounts in June 2026. Access is solved — the edge now is behaviour, not being early.

CHAPTER 02

Opening your account, the smart way

- **All four big discount brokers open free:** Zerodha, Groww, Upstox, Angel One. They differ where it matters — delivery brokerage. Zerodha alone charges ₹0 on delivery; Groww alone charges ₹0 AMC.
- **Statutory charges apply everywhere:** STT (0.1% both sides), stamp duty (0.015%), exchange & DP fees — roughly ₹0.22 per ₹100 moved on a delivery round trip, no matter the broker.
- **eKYC is fully digital:** PAN + Aadhaar OTP + a short video selfie, live in 24–48 hours. The one hard prerequisite: your PAN must already be linked to Aadhaar.
- **The checkbox to skip:** signup nudges you to activate F&O, which needs income proof. Plain equity investing needs none. Skip it — you can always activate later.

MATCH THE BROKER TO YOUR HABIT

~100 round trips a year on ₹20/order brokerage costs ₹4,000–5,000 — more than ten times Zerodha's ₹300 AMC. Trade rarely? Groww's ₹0 AMC wins instead. Be honest about your own frequency first.

CHAPTER 03

Reading a stock — the ratio cheat sheet

- **A quote is a dashboard:** LTP (last traded price), bid/ask spread, 52-week range, volume, and delivery % — each answers a different question about the same price.
- **Valuation trio:** EPS (profit per share, watch the 5-yr trend) · P/E (price ÷ EPS — 18–25 is fair territory for Nifty large caps) · P/B (price ÷ book value — the right lens for banks).
- **Quality trio:** ROE >15% is healthy · ROCE >15% good, >25% signals a moat · Debt/Equity <0.5 ideal — each judged against its own sector, not a universal bar.
- **Where the market sits now:** Nifty P/E is ~20.75 (July 2026) vs a 10-year average of ~23.4 — about 11% below its own norm.

NORMAL P/E TERRITORY BY SECTOR

SECTOR	TYPICAL RANGE
FMCG (HUL etc.)	**50–70×**
IT (TCS, Infosys)	**25–35×**
Banks (prefer P/B)	**20–28×**
Nifty overall	**~21×**

Same P/E, opposite meaning

A P/E of 30 is cheap for an FMCG name and wildly expensive for a PSU bank. Sector context isn't a refinement — it's the whole game. "This stock's P/E is only 8 — bargain!" is the classic beginner trap: cheap sectors are usually cheap for a reason.

- **Market cap vs enterprise value:** market cap = share price × shares. EV = market cap + debt – cash — the honest, all-in price an acquirer actually pays.
- **Two companies, same market cap, very different purchase:** a debt-free company at ₹10,000cr market cap has an EV of ~₹8,000cr (net cash); a leveraged one at the same market cap can carry an EV of ~₹18,000cr.
- **The 10-minute annual-report skim:** MD&A first, then the 5-yr P&L trend, balance-sheet debt, cash flow vs reported profit, auditor's opinion, and related-party transactions.

WATCH OUT

Steps 4–6 of the annual-report skim — cash flow, auditor's opinion, related parties — are where trouble hides, and they take five of the ten minutes. Don't skip them.

CHAPTER 04

Candlesticks & charts, decoded

- **One candle = four prices:** open, high, low, close, drawn as one shape. Green: close above open. Red: close below open. Body = conviction, wicks = the extremes.
- **Six single-candle shapes cover most of it:** doji (indecision), hammer & inverted hammer (bullish hints), shooting star (bearish warning), spinning top (pause), marubozu (full conviction).
- **The reliable multi-candle patterns:** bullish/bearish engulfing (~75–80% success when volume-confirmed) and morning/evening star (~70–75%) — but no pattern works often enough to skip a stop-loss.
- **Support & resistance are memory zones:** a broken level flips its role — old resistance becomes new support after a breakout.

A PATTERN IS A WORD, NOT A SENTENCE

A hammer means nothing mid-range — it matters after a downtrend, near a support level, with volume behind it. Location first, shape second.

Moving averages, RSI & volume

- **Golden cross / death cross:** the 50-day moving average crossing above (or below) the 200-day average confirms a long-term trend — but only after the fact. These are lagging indicators.
- **RSI (0–100 dial):** above 70 = overbought, below 30 = oversold. "Overbought" alone is not a sell signal — strong stocks can sit above 70 for weeks.
- **Volume is the fuel gauge:** price rising + volume rising = a healthy trend. Price rising + volume fading = a rally running on fumes.

THE HONEST FRAME

"A pattern tells you where the crowd might turn. Volume tells you if the crowd showed up. Neither tells you what happens tomorrow." Technicals are a timing dialect, not a crystal ball — always pair a signal with a stop-loss.

CHAPTER 05

Your first trade, done right

- **Order types:** market (fast, price uncertain) · limit (your default — price certain) · SL / SL-M (exit triggers) · GTT (a standing stop that persists for months, not just the trading day).
- **CNC vs MIS — the one rule:** CNC delivers shares to your demat, no leverage, no forced exit. MIS is leveraged intraday, auto-squared-off near 3:20 PM. Beginners: always CNC.
- **The 1–2% position-sizing rule:** never risk more than 1–2% of capital on one trade. Formula: position size = (capital × risk %) ÷ (entry price – stop-loss price).
- **Worked example:** ₹1,00,000 capital, 1% risk = ₹1,000. Buy at ₹500, stop at ₹480 → ₹20 risk/share → 50 shares. Even ten straight losses at 1% risk leaves ~90% of capital intact.

THE LITMUS TEST

Before any buy, ask: "Can I watch this fall 30% without selling?" If no, the position is too big, the conviction is borrowed, or both.

The behaviour gap

An Axis Mutual Fund study (2003–2022) found equity funds delivered 19.1% CAGR — but the average investor in those same funds earned only 13.8%, because they bought highs, panic-sold lows, and paused SIPs in corrections.

₹3.2cr	₹1.3cr	5.3pp
₹10L over 20yrs at fund returns (19.1%)	Same ₹10L at investor returns (13.8%)	The behaviour gap, same funds

- **The mistake catalogue:** FOMO buying at peaks, averaging down losers, panic-selling dips, following tips, buying with no exit plan.

The trader trap — SEBI's own numbers

- **93% of F&O traders lost money over FY22–FY24** (SEBI, Sept 2024), aggregate losses ~₹1.8 lakh crore. The updated July 2025 study found it got worse, not better.
- **91% lost in FY25 alone** — net losses surged 41% year-on-year, averaging ₹1.1 lakh lost per trader in a single year.
- **Intraday isn't the safe alternative:** 71% of individual intraday equity traders lost money in FY23 (SEBI); the loss rate climbs to 80% for those trading >500 times a year.
- **Who loses most:** 43% of F&O traders in FY24 were under 30; over 75% declared annual income under ₹5 lakh; 72%+ came from smaller B30 cities and towns.

READ IT PLAINLY

Activity correlates with losses — the harder people play, the more reliably they lose. That's how a casino behaves, not a skill game. SEBI tightened the rules in 2024–25; losses still widened 41%.

The same money, left alone

The average F&O loser burned ₹1.1 lakh in FY25. Run that same ₹1.1 lakh a year through a boring Nifty 50 index fund at ~12% instead — for five years:

YEAR	F&O @ AVERAGE LOSS	INDEX FUND @ 12%
1	–₹1.1L	**₹1.2L**
3	–₹3.3L	**₹4.2L**
5	–₹5.5L	**₹7.8L**

A ₹13.3 lakh swing in five years — for doing less. This chapter is why this book's default answer to "what should I trade?" is "don't — invest instead."

CHAPTER 07

The long game that actually wins

- **The long-run number:** Indian equities cluster at 11–12% CAGR over almost any 10–30 year holding period — the Sensex has compounded ~15.4%/yr since 1979.
- **The cost of missing the best days:** ₹10 lakh fully invested in the Nifty over 26 years grew to ₹2.84 crore — missing just the 15 best days cut that to ₹95 lakh.
- **Best days hide next to the worst:** 7 of the 10 best days occurred within two weeks of the 10 worst. Sell in a crash and you're almost guaranteed to miss the rebound.
- **Index funds beat most professionals:** ~80% of active large-cap funds failed to beat the Nifty 50 over 10 years (SPIVA India) — mostly because their fees compound against you.
- **Core–satellite structure:** 70% index funds (the core, untouched) + 30% researched individual stocks (satellite), max 15–20 holdings, no stock above 5–10%.

THE ONLY FOUR VALID REASONS TO SELL

Thesis broken · a clearly better opportunity · rebalancing back to plan · the goal is reached. "It fell 20% and I'm scared" is never one of them.

CHAPTER 08

IPOs, dividends & tax, simply

- **The 2025 IPO reality:** 108 mainboard IPOs raised ₹1.83 lakh crore at 35× average retail oversubscription — but the median listing gain collapsed to 3.8%, and 59% of 2025 IPOs traded below listing price by year-end.
- **Corporate actions, decoded:** dividend = taxable cash payout · split & bonus = neutral, more shares at a proportionally lower price · buyback = now taxed as dividend income since Budget 2024.
- **Equity tax in one line:** STCG (≤12 months) 20% flat · LTCG (>12 months) 12.5%, with the first ₹1.25 lakh/year exempt · STT 0.1% on delivery, not creditable against income tax.
- **Tax triggers on sale, not withdrawal:** selling shares and leaving the cash in your broker account still creates a taxable capital gain for that financial year.

YOUR YEARLY RHYTHM

Four scheduled reviews a year (aligned to results seasons), respect Budget day, and treat every other day's headline as noise.

YOU'VE GOT THE MAP. NOW GET THE TERRAIN.

This was the 20-minute version. The full guide is the whole journey.

You now know more than most people who open a demat account on a tip. The complete **Stock Market for Absolute Beginners** takes every chapter above and gives you the diagrams, the illustrated candlestick gallery, and the full step-by-step walkthroughs.

- **The full 8 chapters** — every concept above, illustrated and expanded.
- **The candlestick pattern gallery** — 10+ patterns, drawn out, with reliability data.
- **The broker comparison & account walkthrough** screen by screen, 2026 rate cards included.
- **SEBI's full F&O & intraday loss data** — every chart, every demographic breakdown.
- **The complete portfolio blueprint** — core-satellite, rebalancing rules, the annual calendar.

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