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HOW TO CHOOSE STOCKS TO INVEST FOR LONG TERM WEALTH CREATION ?

A THREAD■

In this thread I'll list down all the checkpoints to find multibagger stocks by doing self-search even if you are new to stock markets

Let’s check ■

1. Think yourself about a business which you wanna start to invest in as an entrepreneur

2. It should meet the following criteria :

i) Good Sustainable Margins
ii) High Growth In The Years To Come
iii) Require less Regular Capital Expenditure
iv) Pricing Power

3. List out the sectors like Chemicals, IT, FMCG, Media, Etc

4. List out the companies operating in that sector. You can use google and business magazines like Dalal street, etc for the same

5. Filter companies which are promoted by reputed business houses or good promoters

6. Check there products and reviews from clients/users or stakeholders engaged with them like retailers, consumers, etc. Whether they like it and what’s there view

7. Check demand elasticity of the product like if it’s medicine/consumer goods then demand is almost inelastic

8. Check government regulations if anything can cause severe impact to the industry or to the business like cigarettes or Alcohol if banned or duty increased by Govt can severely impact the Company

9. Try to avoid highly government regulated industry.They are generally laggards

10. Check vision of the promoter from previous annual reports and recent corporate announcements. This will help you identify the future outlook of the company

11. Check balance sheet and ratios like PE Ratio, Earnings growth, Cash flows, Reserves in books, etc

12. Check promoter shareholding in the company and institutional shareholding. Those stocks which are owned by institutions are generally safer then the once underowned by large investors

13. Check free float. A very important criteria to determine share price movement

14. A low free float or small equity generally outperforms the peer companies in the market bcoz of pure demand supply economics. That’s the reason some stocks like MRF don’t want to split or give bonus

15. Check Industry PE and the PE of the stock. A good co will always trade at a higher PE than it’s peers. And that’s okay. Quality commands premium■

16. If a stock meets all this criteria then you should definitely invest in it and give time for it to perform and make wealth for you. Generally a period of 5 years and beyond is considered to be a good time horizon for investing and wealth creation. Happy investing ■