

Key Points to consider before investing in common stocks

- When insiders are buyers, it's a positive sign. When people in the company are putting their own money in the company, it shows they have faith in the future success of the company.
- Buying back of shares is one of the best ways in which a company can add value to the shareholders. This information can be obtained in the SEBI website. Buying back of shares has a positive effect on earnings per share (EPS) which in turn affects the stock price.
When a company buys half its shares and even if its overall earnings remain the same, it leads to doubling of EPS.
- One should ask – Does the management have determination to continue to develop new products and services when the growth potential of currently product lines has largely been exploited?
- When you are considering a stock on the strength of some particular product which the company makes, the important thing to ask is – How much the product contributes to the company's total revenue? If the contribution is less, then the success or failure of the product will not make much difference to the company's bottom line.
- Invest in companies with less reinvestment needs, which will result in high Free Cash Flow to Equity
- Hold the stock until either
 - (a) There has been a fundamental change in the nature of the business (such as new players entering the market, weakening of management) or
 - (b) The company has grown to a point where it no longer will be growing faster than the economy as a whole.

Remember: When in doubt, it is better to stay away from investing.

Disclaimer: The information in this document has been printed on the basis of publicly available information, internal data and other reliable source believed to be true and is for general guidance only. While every effort is made to ensure the accuracy and completeness of information contained, the company makes no guarantee and assumes no liability for any errors or omissions of the information. No one can use the information as the basis for any claim, demand or cause of action. FRR Shares And Securities Ltd., and affiliates, including the analyst who have issued this report, may, on the date of this report, and from time to time, have long or short positions in, and buy or sell the securities of the companies mentioned herein or engage in any other transaction involving such securities and earn brokerage or compensation or act as advisor or have other potential conflict of interest with respect to companies mentioned herein or inconsistent with any recommendation and related information and opinions. FRR Shares And Securities Ltd. and affiliates may seek to provide or have engaged in providing corporate finance, investment banking or other advisory services in a merger or specific transaction to the companies referred to in this report, as on the date of this report or in the past.