Stock Market 101:
Your First Step into the Indian Stock Market

New to the stock market? Start here. You’ve probably heard terms such as Nifty, Sensex, shares, Demat, trading, IPO and stock exchange. It can sound complicated, but it doesn’t have to be. At its simplest, the stock market is a marketplace where securities such as shares of listed companies are bought and sold. Before you think about what to buy or sell, first understand how the market works.

1. What exactly are you buying?

When you buy a company's share, you acquire a proportionate ownership interest in that company. The value of that share can change based on several factors, including the company's performance, its future prospects and overall market conditions. If the share price rises, the value of your holding increases. If it falls, the value decreases. There is no guaranteed return from investing in equities.

Core Principle: *«Understand what you are buying before you buy it.»*

2. Where does buying and selling happen?

In India, listed securities are traded on recognised stock exchanges. Two major exchanges you will hear about are:

NSE	National Stock Exchange of India
BSE	BSE Ltd.

Think of an exchange as an organised marketplace where eligible buy and sell orders can be matched. As an investor, you access the market through a registered intermediary such as a stockbroker.

3. Nifty and Sensex: What are they?

You'll often hear the phrase: *«"The market is up today."»* People saying this are usually referring to major market indices.

Nifty 50	An index comprising 50 large and liquid companies listed on the NSE, based on its index methodology.
Sensex	An index comprising 30 companies listed on the BSE, based on its index methodology.

Indices provide a way to track the performance of a selected group of securities. **Important note:** If an index rises, it does not mean every stock in the market has risen.

4. Demat Account vs Trading Account

This is one of the first crucial distinctions a new market participant should understand.

Bank Account	Trading Account	Demat Account
Used to transfer and hold your cash funds for transactions.	Used to place buy and sell orders on the stock exchange.	Holds your financial securities electronically.

The Transaction Journey Flow:

Bank Account → Trading Account → Stock Exchange → Order Execution → Demat Account

For a delivery transaction, securities are credited to your Demat account after the applicable regulatory settlement process.

5. Primary Market vs Secondary Market

There are two structural parts of the securities market layout.

Primary Market	This is where securities are newly issued to investors. An IPO (Initial Public Offering) is a prime example. A company offers shares to the general public to seek capital and list on an exchange.
Secondary Market	Once securities are listed, they can be freely bought and sold between market participants through the stock exchange platform.

Summary: *Primary Market → Securities are Issued* | *Secondary Market → Listed Securities are Traded*

6. So how does a stock price move?

At the most basic level, stock prices move based on supply and demand driven by buying and selling activity. But what makes people buy or sell? They consider dynamic factors such as:

- Company earnings & financial performance
- Business growth prospects
- Industry developments
- Interest rates & economic conditions
- Corporate announcements & valuation
- Market expectations & investor sentiment

This means prices can move even before a company's actual financial performance changes. The market is constantly responding to forward-looking information and expectations about the future.

7. What happens when you place an order?

Imagine you decide to buy 10 shares of a listed company. You select the Stock → Quantity → Order Type → Price (where applicable) and click Buy. Your order is routed to the relevant exchange. If a compatible counter-order is available, the transaction executes according to the exchange mechanism.

> ***Crucial Reminder:*** *Placing an order does not necessarily mean the order will be executed. Depending on factors such as the order type, price rules, and available market liquidity, an order may be executed fully, partially, or remain unexecuted.*

8. Investing vs. Trading: Understanding Your Approach

Investing (Long-Term Focus)	Trading (Short-Term Focus)
Focuses on business fundamentals, multi-year corporate earnings, growth potential, competitive moat, and long-term financial goals.	Focuses on short-term price movements, momentum trends, volume indicators, technical chart analysis, macro news events, and tight risk-mitigation metrics.

The two approaches have completely different objectives, horizons, and methods. Neither approach eliminates market risk completely.

Real-Life Case Evaluation Context

Real-Life Learning: Your First INR 5,000	A Common Beginner Mistake to Avoid
Suppose you have INR 5,000 and find a stock trading at INR 500. You can buy 10 shares. But ask yourself: Is INR 500 cheap or expensive? You cannot determine value from the absolute share price alone. Can the investment fall below INR 5,000? Yes. Equity prices fluctuate.	Thinking *'A INR 20 stock is automatically cheaper than a INR 2,000 stock'* is a fallacy. Share price by itself does not state whether a stock is inexpensive or expensive. You must evaluate market capitalization, earnings, debt, growth, and industry value context.

9. Core Terminology Quick Reference Index

Term	Simple Meaning	Term	Simple Meaning
Share	A unit representing ownership in a company.	Stock Exchange	An organized marketplace where securities are traded.
Demat A/c	Holds securities electronically.	Trading A/c	Used to place execution buy/sell orders.
Index	Tracks a selected specific group of securities.	Market Cap	Current share price multiplied by outstanding shares.
IPO	Initial Public Offering to the public.	Dividend	Distribution made by a firm to eligible shareholders.
Volume	Number of securities traded during a set period.	Portfolio	Collection of investments held by an investor.

Reinforcement Assessment (Test Yourself)

1. What does a Demat account primarily do?

[ ] A. Stores your cash liquidity bank funds
[ ] B. Holds financial securities electronically
[ ] C. Determines asset market clearing prices
[ ] D. Places active execution orders on the exchange

2. If Stock A trades at INR 50 and Stock B at INR 5,000, which one is automatically cheaper?

[ ] A. Stock A
[ ] B. Stock B
[ ] C. Neither — absolute share price alone does not communicate valuation context
[ ] D. The one with the lowest relative share baseline

3. What is the structural difference between the primary and secondary markets?

[ ] A. Primary handles daily volume trading; secondary handles new initial IPO listings
[ ] B. Primary involves direct issuance of securities; secondary involves trading of listed assets
[ ] C. Primary is restricted to institutions; secondary is built for retail individuals

4. Which statement accurately describes the operational boundaries of investing and trading?

[ ] A. They are completely identical in approach
[ ] B. Investing is completely risk-free while short-term trading is risky
[ ] C. They generally differ in core commercial objectives, time horizons, and analysis methods

Important Disclosures & Regulatory Warnings