



MRITYUNJAY MONDAL

STOCK STRATEGY

AVERAGE YOUR WAY TO SUCCESS

The Indian small investor gets a valuable tool to make money on the stockmarkets steadily: cost averaging.

■ AMOL DHARIYA

Forget the stories you've heard about how getting rich on the market is all a matter of chance. You might play against the odds for that really big break, but nothing equals the safe, secure feeling you get from a disciplined, methodical investment plan.

Pick a stock you think is a long-term winner, put your money down regularly under such a plan, and you could enjoy returns that comfortably beat "safe" options like recurring deposits in banks or monthly investment schemes in mutual funds. One of the best such investment programmes is cost averaging.

Once you've picked your stock, choose a period over which you can invest

regularly—monthly, quarterly, whatever suits your budget. Structure your purchases so you only spend a fixed sum in each period. As a result, you will buy more shares when prices are low, and less when they are high. True, you can't avoid buying some shares when prices are high. But because the cost-averaging discipline ties you to a fixed sum, the impact of these high-priced purchases on the average cost of the shares is relatively low (see table on next page).

With the setting up of the National Securities

Depository Ltd (NSDL), this valuable tool has moved from the realm of theory to practice. What NSDL does is simply this: it dematerialises a company's shares by replacing paper share certificates and transfer forms with computer entries.

Computers don't have any problems dealing with awkward quantities of shares. So now you neither need to buy a marketable lot of shares—usually 50 or 100—nor do you have to be saddled with untradeable odd lots (a number of shares, say, 12 or 23, which is not a market lot and which is difficult to sell). If you have Rs 3,200 to invest, you can buy just two shares of Hindustan Lever. Earlier, the minimum lot of 50 Lever shares would have meant a hefty shell-out of nearly Rs 80,000.

Over 150 shares have been admitted for dematerialisation and all are open for trading. The table below lists the 12 most heavily traded stocks. Since blue chips anticipate any economic recovery, you could watch your portfolio appreciate with relatively less risk. And capture share price growth through cost averaging.

So far, Hindustan Lever has accounted for most small-lot trades, but the list of stocks admitted for dematerialisation is growing.

For cost-averaging investors, the choice will only widen in the coming months. That's good news for salaried investors, who are generally constrained by fixed monthly budgets. Here's how this regular and systematic approach to investing works:

Ignore the swings. Over the past three years, the market's mood has swung wildly between dark pessimism and gung-ho optimism. Prices of even sound stocks

ACTIVE DEMAT SHARES

● ACC	1,782
● Apteck	720
● Castrol	725
● GE Shipping	42
● HDFC Bank	80
● Hindustan Lever	1,600
● ICICI	102
● IPCL	72.50
● L&T	275
● Nicholas Piramal	405
● Reliance Industries	181.70
● Telco	279

Share prices in Rs as on 21 May 1998