

# INVESTOR ALERT

**BEFORE YOU INVEST YOUR MONEY,  
INVEST SOME TIME!**

Dear Investor,

## **Are you attracted to very low priced stocks?**

### **Then, read this message carefully**

Investor interest in stocks are at their all time high. However, you should be aware that many small, very low priced companies, are also attracting high investor interest. Some of these companies have negative earnings, poor financials. There are many deserving, completely legitimate companies, which are low priced and deserve investor attention. However, as a knowledgeable investor you need to make a distinction between the good companies from the undeserving ones.

Here are some useful pointers to bear in mind before you invest in very low priced, low market capitalization stocks :

- As an investor do you study the price-to-earnings (P/E) ratios of companies before investing? There are many companies quoting at a P/E multiple many times more than the market P/E, which is around 15% - 16% at present. Analyse the P/E ratio of companies before investing to check whether companies deserve such high P/E multiples.
- Many of these very low priced stocks traded in the markets, have negative earnings, negative net worth. Please study the financials of a company carefully before investing. Sources of knowing about a company are through annual reports, economic magazines, databases available with vendors or your financial advisor.
- Do not be attracted to stocks based on what an internet website, chatroom or e-mails promote, unless you have done adequate study of the company.
- Do not be misled by market rumours, luring advertisement or 'hot tips' of the day. Any advice or tip that claims that there are huge returns expected, especially for acting quickly, may be risky and may lead to losing some, most, or all of your money.
- Investors need to be cautious about companies which show a sudden spurt in volumes and prices at the exchanges. Take informed decisions by studying the fundamentals of the company.

"Recognising the importance of investors' inputs with respect to any possible undesirable trading practices in the securities market, the Exchange has provided a toll free telephone facility where investors can get their inputs recorded either in English or Hindi. The Exchange will ensure complete secrecy to the investors."  
Toll Free Telephone Number - 1600 22 0051

These guidelines are for your benefit. Act on it.



## **NATIONAL STOCK EXCHANGE OF INDIA LIMITED**

"Exchange Plaza", Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051.

Tel : 022-26598100-8114. Fax : 022-26598120. Email: cc\_nse@nse.co.in.

Please visit our website: [www.nseindia.com](http://www.nseindia.com)

Issued in public interest by NSE.