10 Lesser Known Finance Terms You Must Know

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1) Poison Pill

A poison pill is a strategy used by companies to prevent a hostile takeover by making the target company less attractive to the acquiring company.

Recently Twitter adopted this strategy to avoid the hostile takeover by Elon Musk.

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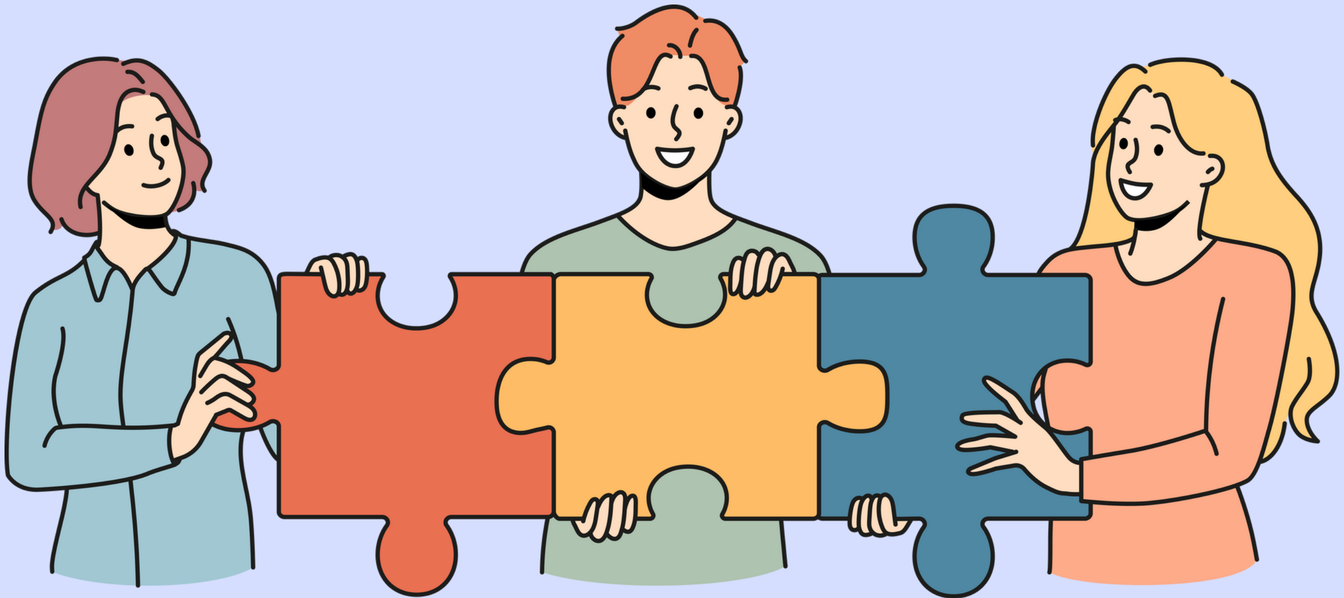
2) ESOPs

Employee Stock Ownership Plan (ESOP) is an employee **benefit plan** that allows employees to own **shares** of the company they work for.

ESOPs provide employees with a sense of **ownership** in the company, which can lead to increased **motivation** and **loyalty.**



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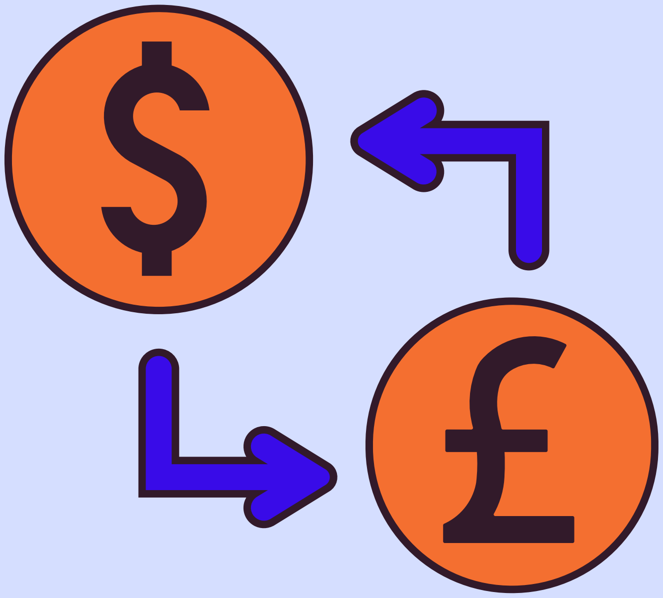
3) Arbitrage

Arbitrage refers to the practice of buying an asset in one market where the price is low and selling it in another market where the price is high to make a profit.

The profit is called arbitrage profit and it is earned with little or no risk.



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4) Bootstrap

It is the practice of starting a business or a startup with no external funding, instead relying on internal resources to finance operations and growth.

Zerodha is a prime example of a bootstrap startup.

ZERODHA

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5) ESG Investing

Environmental, Social, and Governance (ESG) is a framework to evaluate the sustainability and ethical impact of an investment in a company.

ESG measures a company's impact on the environment, including the use of natural resources, carbon emissions, etc.

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6) Leverage

Leverage refers to the use of borrowed funds (such as debt) to increase the potential return on investment.

It is commonly used in trading and investing, but it carries a higher level of risk and requires careful management to avoid excessive losses.

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7) Stock Buyback

It is a corporate action where a company uses its own funds to repurchase its own shares from the market.

When a company buys back its shares, the number of outstanding shares on the market decreases, which increases the value of each remaining share.

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8) NPA

A non-Performing Asset (NPA) is a loan or advance where the borrower has **stopped** making interest or principal repayments for a specified period of time, typically 90 days or more.

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9) Enterprise Value

Enterprise value (EV) is a financial metric used to measure the total value of a company

EV = Market capitalization + Total Debt - Cash & Cash Equivalent

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10) Warrants

A warrant is a type of security that gives the holder the right, but not the obligation, to buy a specific number of shares of the issuer's stock at a fixed price.

It is the same as an option but they are typically issued by companies as a way to raise capital.

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