

What is Market Capitalisation?

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About Market Capitalisation

- Market Capitalization, or Market Cap, is a term used to represent the market value of a company based on its current share price and the total number of its outstanding shares.
- It can be calculated by multiplying the number of outstanding shares of a company by the current price of its shares.
- It represents the market's perception of a company's worth and indicates its size and significance in the financial markets.
- On the basis of market cap, companies may be classified as large-cap, mid-cap, or small-cap companies.
 - Large-cap companies are usually stable, reputable, and well-established businesses that have a significant market share. They have market caps of INR 20,000 crore or more.
 - Mid-cap companies have a market cap ranging from INR 5,000 crore to INR 20,000 crore.
 - Small-cap companies operate at a smaller scale than large-cap and mid-cap companies. Consequently, their market cap is also lower (less than INR 5,000 crore).
- Why is market capitalization important?
 - It allows potential investors to understand the true value of companies and the size of one company in relation to another.

- It helps investors predict the future performance of the stock of a company because it reflects what the market is willing to pay for the stock.

What is Free float market capitalisation?

- While calculating the total market capitalization of a company, all the shares, including the ones publicly traded as well as those held by promoters, government, or other private parties, are multiplied with the stock price.
 - But in the free-float market capitalization, we exclude shares held by private parties like promoters, trusts, or the government.
 - We only consider shares held and traded by the public and multiply them with share price to arrive at the free-float market capitalization of a company.
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Q1) What are Shares?

The capital of a company is divided into shares. Each share forms a unit of ownership of a company and is offered for sale so as to raise capital for the company.

Source: [Reliance becomes first Indian company to hit Rs 20 lakh crore valuation](#)

Source: <https://vajiramandravi.com/current-affairs/market-capitalisation/>

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