A

Project Report on

"EQUITY MARKET: INDIAN INVESTMENT SCENARIO."

At

"APOLLO SINDHOORI STOCK BROKING PVT LTD"

Submitted To

University of ________.

Towards partial fulfillment of

Master Degree in Business Administration

BIZASTRA

Submitted By

(____________________)

MBA (Finance)

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Guided By

Prof. _______________.

(Institute Name)

2008-2009

Declaration

I hereby declare that the project report entitled **"EQUITY MARKET: INDIAN INVESTMENT SCENARIO"** is an independent analysis work carried out by me as a part of MBA curriculum, University of _________, under the guidance of Prof._________.

This project was undertaken as a part of academic curriculum according to the university rules and norms and had no commercial interest and motive. It is my original work. It is not submitted to any other organization for any other purpose.

Place:

Date: (_______________)

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Acknowledgement

With a sense of soul gratitude, I have submitted this project report to university of pune.

I am thankful to the director ___________ and the faculty member for extending a helping hand during the course of the project.

I would also thank the owner Mr. _________ of “Apollo’s sindoori” for providing an opportunity to conduct the project in their organisation .Also the staff of the organization for being co-operative and patient in spite of their busy schedules.

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CHAPTER: 1

Introduction

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Capital Market

Introduction

The capital market deals with capital. Capital Market is generally understood as a market for long term funds and investments in long term instruments available in this market. However, now this market also includes short-term funds. Capital markets mean the market for all the financial instruments, short term and long term as so commercial industrial and government paper.

The capital market is a market where borrowing and lending of long term funds takes place. Capital market deals in both, debt and equity. In these markets productive capital is raised and made available to the corporate. The governments both central and state raise money in the capital market through the issue of government securities. Capital market refers to all the institutes and mechanisms of raising medium and long-term funds, through various instruments available like shares, debentures, bonds etc.

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1.1 Object of the project

In today's cutthroat competition world management has to perform variety of functions and responsibilities. Theoretical knowledge of such function and responsibilities can be obtained in the institute. But practically when this knowledge is applied in the corporate world, the managers face many difficulties. One has to get an insight into this practical knowledge, and develop the analytical aspects. So the objective of the project is:-

- To fulfill requirement of MBA curriculum.
- To acquire practical knowledge.
- To see how conceptual knowledge can be applied.
- To get an experience of real work of office.

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1.2 Object of the study

- To study the capital market.
- To know the various challenges faced by the FII's in India.
- To understand the role of capital market in India.
- To understand the various markets in India i.e.

  1. Derivative market.
  2. Commodity market.
  3. Equity market.
  4. Mutual fund.
  5. Dept market.

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1.3 Scope of the study

The scope of my study to know the capital market and the Indian investment scenario also to know various investors and intermediaries in the capital market.
And to do the equity research with the help of:-

- Fundamental analysis
- Economic analysis
- Industrial analysis
- Technical analysis
- Stock charts.

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1.4 Research Methodology

The present study is the outcome of systematic procedure, which includes primary data collection as well as secondary data collection. They are exampled below.

Primary data collection:-

Primary data is originally gathered on project hand.one can obtain information from dealer, etc.It offer much greater accuracy and reliability.

Secondary data collection:-

Secondary data is the data already collected by someone else. This data is not especially collected to solve present or specific problem. The information is relevant and can be used for our purpose.

Following are the methods used to collect the data:-

- General library
- Trade-books
- Internet.

Websites:-

- www.nseindia.com
- www.bseindia.com
- www.moneycontrol.com

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1.5 Rational of the study

Utility to Researcher:-

1) To interact with the manager of the company and gain knowledge through their experiences.

2) To gain the knowledge about the capital market.

3) Practical knowledge about the equity analysis and how to analyze the stocks.

Utility to company:-

1) The analysis done was beneficial to the company as additional information of their investor.

2) With this, company can recommend their clients to invest in particular company's shares on the basis of analysis done and also try to attract more trader by giving more services

3) This study takes into account the data of the general industry as well as economic condition while conducting its study.

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CHAPTER: 2

PROFILE OF THE ORGANISATION

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2.1 History of the organization

We are a professionally managed Financial Service organization, belonging to the Apollo Hospitals Group. We have a corporate membership of National Stock Exchange of India Limited [NSE] and The Bombay Stock Exchange Limited [BSE]. We are registered as Depository Participant with both NSDL and CDSL.

The Company was incorporated on 4.7.1995 at Chennai in Tamil Nadu. The certificate to commence business was obtained on 16.8.1995. The company is registered with SEBI under Section 12 of the SEBI Act, 1992 for carrying on the business of stock broking. RBI has exempted the company from the provisions of S.45-IA of RBI Act and hence the company has not been registered as an NBFC with RBI.

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2.2 Services offered by the organization

- Trading facility in Equity segment on and Derivative segment on NSE & BSE through a single screen. All the branches are connected by VSat to a central server at Chennai and orders are placed through the CTCL.
- Trading facility in commodity segment, including bullion, oils, gaur seed etc. through our subsidiary, Apollo Sindoori Commodities Trading Limited
- Depository Participant [DP] services of NSDL and CDSL at major locations
- Online bidding for IPO
- Distribution of Mutual Funds

The company has pan India presence with over 700 offices across the county and a clientele of over 140000 happy customers

We are technologically advanced due to ongoing investment in technology, which is a key element in expanding our product and service offerings, enhancing our delivery systems, providing fast and consistent client service, reducing processing costs, and facilitating our ability to handle significant increases in client activity. Our Company has an in-house technology team of 25 people comprising technical expert in each area. The in-house technology team has been responsible for efficient operations of our back office systems.

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We are having Strong Sales and Marketing Teams .The marketing force is divided into various teams with specific area of operation viz. corporate clients and retail clients. The marketing team at Mumbai specializes in Institutional clients. Specific teams also handle High Net worth Clients. This segmentation of marketing teams help in targeting various segments at the same time Our marketing is focused towards both virgin clients, i.e., clients who are not already trading and are not much aware of opportunities in the stock market and clients who are already in the stock market and enrolled themselves with other stockbrokers.

CHAPTER: 3

ANALYSISI AND INTERPRETATION

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[3.1] Indian capital market

The capital market plays a very important role in promoting economic growth through the mobilization of long-term savings and the savings get invested in the economy for productive purpose. The capital market in India is a well integrated structure and its components include stock exchanges, developed banks investment trusts, insurance corporations and provident fund organization. It caters to the varied needs for capital of agriculture, industrial and trading sectors of the economy. There are two important operations carried on in these markets. The raising the new capital and Trading in the securities already issued by the companies.

With the pace of economic reforms followed in India, the importance of capital markets has grown in the last ten years. Corporate both in the private sector as well as in the public sector raise thousands of crores of rupees in these markets. The governments, through Reserve Bank of India, as well as financial institutes also raise a lot of money from these markets. The capital market serves a very useful purpose by pooling the savings.

The capital markets encourage capital formation in the country. The capital markets mobilize savings of the households and of the industrial concerns. Such savings are then invested for productive purposes. Capital markets also facilitate the growth of the industrial sector, as well as the other sectors of the economy. The capital markets provide funds for the projects in backward areas. Thus, Capital markets generate employment in the country.

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They also facilitate the development of stock markets. Due to capital markets, the public has alternative sources of investment. The public can invest not only in bank deposits, but also in shares and debentures issued by public companies. The commercial banks and FIs provide timely financial assistance to viable sick units to overcome their industrial sickness. The banks and FIs may also write off a part of loan, or they re-schedule the loan, so as to offer payment flexibility to the weak units, which in turn helps the weak units to overcome financial crisis.

➔ INTERMEDIARIES IN CAPITAL MARKET

Capital market requires many intermediaries who are responsible to transfer funds from those who save to those who require these funds for investments. The efficiency of the markets is dependent on the specialization attained by these intermediaries. Some of them are as follows:

1. Stock Exchanges.
2. Banks.
3. Investment Trusts and Companies.
4. Specialized Financial Institutions or Development Banks.
5. Mutual Funds.
6. Non-Banking Financial Institutions.
7. International Financial Investors and Institutions.

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➔ INVESTORS IN CAPITAL MARKET

The supply in this market comes from savings from different sectors of the economy. These savings accrue from the following sources:

1. Individuals.
2. Corporate.
3. Governments.
4. Foreign countries.
5. Banks.
6. Provident Funds.
7. Financial Institutions.

All these entities contribute to savings in the economy part of these savings naturally flow in the capital markets. Individuals invest in these markets directly by investing in shares or debentures of companies through bond issues of public sector units or through mutual funds. Corporate who have more savings than their requirement for funds also are participants in this market.

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➔ ROLE OF CAPITAL MARKET IN INDIA

1. CAPITAL FORMATION

The capital market encourages capital formation in the country. Rate of capital formation depends upon savings in the country. Though the banks mobilize savings, they are not sufficient to match the requirements of the industrial sector. The capital market mobilizes savings of households and of the industrial concern. Such savings are then invested for productive purposes. Thus savings and investment leads to capital formation in country.

2. ECONOMIC GROWTH

Capital market facilitates the growth of the industrial sector as well as other sectors of the economy. The main function of the capital market is to transfer resources (funds) from masses to the industrial sector. The capital market makes it possible to lend funds to various projects, both in the private as well as public sector.

3. DEVELOPMENT OF BACKWARD AREAS

The capital markets provide funds for the projects in backward areas. This facilitates the economic development of backward areas.

4. GENERATES EMPLOYMENT

Capital market generates employment in the country:

i) Direct employment in the capital markets such as stock markets, financial institutions etc.

ii) Indirect employment in all sectors of the economy, because of the funds provided for developmental projects.

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5. LONG TERM CAPITAL TO INDUSTRIAL SECTOR

The capital market provides a permanent long-term capital for the companies. Once, the funds are collected through issues, the money remains with the company. The company is left free with the funds while investors exchange securities among themselves.

6. GENERATION OF FOREIGN CAPITAL

The capital market makes possible to generate foreign capital. Indian firms are able to generate capital from overseas markets by way of bonds and other securities. Such foreign exchange funds are vital for the economic development of the nation.

7. DEVELOPING ROLE OF FINANCIAL INSTITUTIONS

The various agencies of capital market such as Industrial Financial Corporation of India (IFCI), State Finance Corporations (SFC), Industrial Development Bank of India (IDBI), Industrial Credit and Investment Corporation of India (ICICI), Unit Trust of India (UTI), Life Insurance Corporation of India (LIC), etc. have been rendering useful services to the growth of industries. They have been financing, promoting and underwriting the functions of the capital market.

8. INVESTMENT OPPORTUNITIES

Capital markets provide excellent investment opportunities to the members of the public. The public can have alternative source of investment i.e. in bonds, shares and debentures etc.

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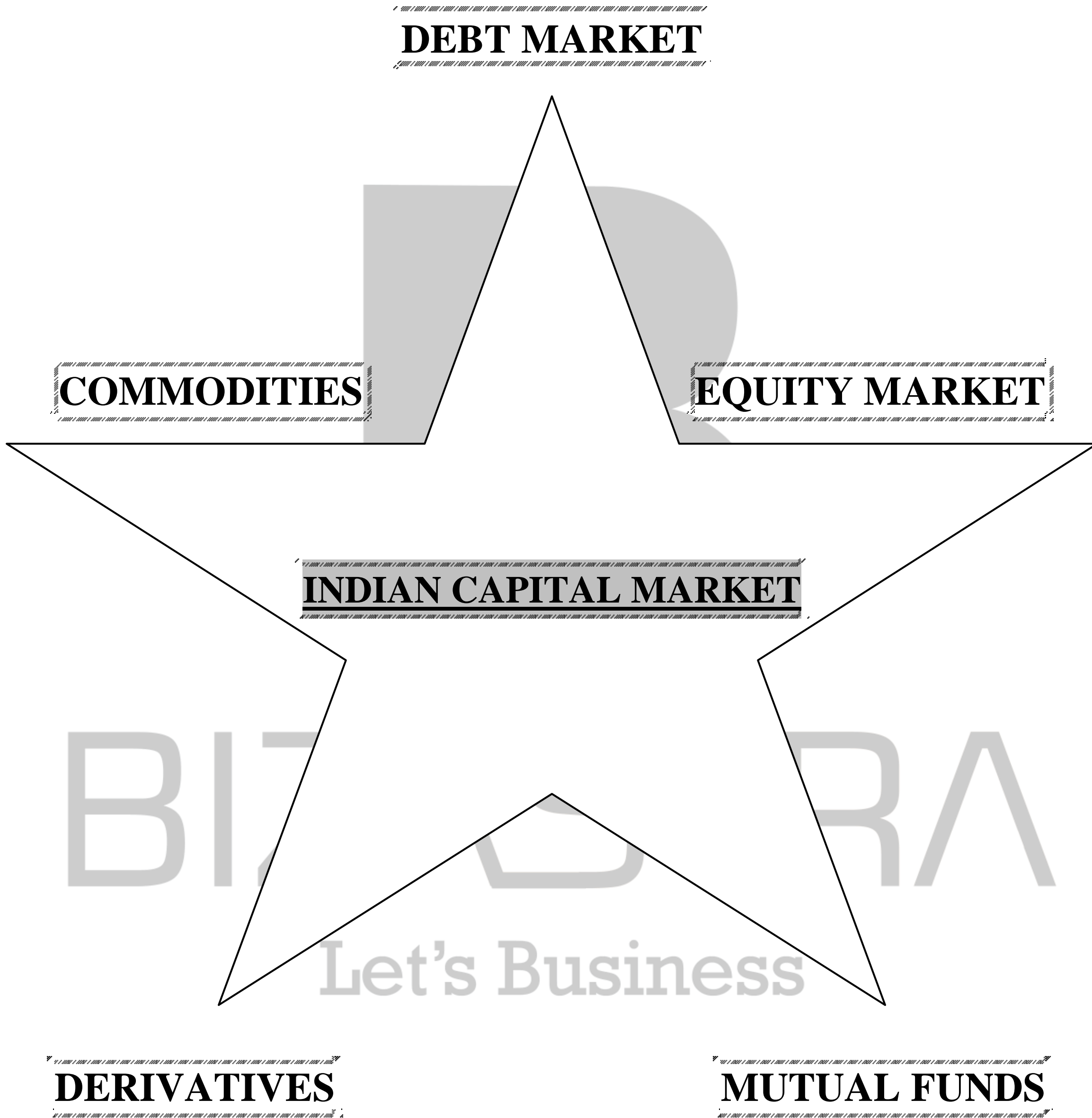
➔ CLASSIFICATION OF INDIAN CAPITAL MARKET



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➢ DEBT MARKET

The debt market is one of the most critical components in the financial system of any economy and act as the fulcrum of a modern financial system. The debt market in most developed countries is many times bigger than the other financial markets including the equity market. The debt markets in advanced countries are significantly larger and deeper than equity markets. But in India, the trend is just the opposite. The development of debt market in India has not been as remarkable as in the equity market. However, it has undergone considerable changes in the last few years. The debt market in India can be divided into two categories - Government securities market consisting of Central Government and State Government securities; and Bond market consisting of FI bonds, PSU bonds and corporate bonds/debentures. The government securities segment is the most dominant category in the debt market.

The participants in the debt market are a small number of large players, which has resulted in the debt market evolving into a wholesale market. Most primary debt issues are privately placed or auctioned to the participants while secondary market dealings are negotiated on telephone. The debt market has become more diversified with the entry of new participants. The major participants in the debt market are as follows:

1. Central And State Government
2. Primary Dealers
3. Public Sector Undertakings (PSUs)
4. Corporate
5. Banks
6. Mutual Funds(MF)
7. Foreign Institutional Investors (FIIs)
8. Provident Funds (PFs)
9. Charitable Institutions And Trusts

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➢ EQUITY MARKET

In financial markets, stock is the capital raised by a corporation through the issuance and distribution of shares. A person or organization which holds shares of stocks is called a shareholder. The aggregate value of a corporation's issued shares is its market capitalization. When one buys a share of a company he becomes a shareholder in that company. Shares are also known as Equities. Equities have the potential to increase in value over time. It also provides the portfolio with the growth necessary to reach the long-term investment goals. Research studies have proved that the equities have outperformed than most other forms of investments in the long term. Equities are considered the most challenging and the rewarding, when compared to other investment options.

Research studies have proved that investments in some shares with a longer tenure of investment have yielded far superior returns than any other investment. However, this does not mean all equity investments would guarantee similar high returns. Equities are high-risk investments. One needs to study them carefully before investing. Since 1990 till date, Indian stock market has returned about 17% to investors on an average in terms of increase in share prices or capital appreciation annually. Besides that on average stocks have paid 1.5 % dividend annually. Dividend is a percentage of the face value of a share that a company returns to its shareholders from its annual profits. Compared to most other forms of investments, investing in equity shares offers the highest rate of return, if invested over a longer duration.

➢ DERIVATIVES

Introduction of the derivatives was anticipated by the market players since long. Contribution of derivatives is going to be defining the development of the capital market in India, at a time, when benefit and convenience continues to be the most favorable arguments in favor of the derivatives. How far these complicated products would be understood and accepted by the common investor is the question that remains.

Derivatives are a common name given to a class of instruments whose value is derived from another asset called the underlying asset. The three most popular classes of derivative instruments are options, futures and swaps. The most important contract types are futures and options, and the most important underlying markets are equity, treasury bills, commodities, foreign exchange and real estate. The key motivation for such instruments is that they are useful in reallocating risk either across time or among individuals with different risk-bearing preferences. One kind of passing on of risk is mutual insurance between two parties who face the opposite kind of risk. For example, in the context of currency fluctuations, exporters face losses if the rupee appreciates and importers face losses if the rupee depreciates. By forward contracting in the dollar-rupee forward market, they supply insurance to each other and reduce risk. The ultimate importance of a derivatives market hinges upon the extent to which it helps investors to reduce the risks they face. Some of the largest derivatives markets in the world are on:

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1. Treasury Bills (to help control interest rate risk),

2. The Market Index (to help control risk that is associated with fluctuations in the stock market) and

3. Exchange Rates (to cope with currency risk).

➢ MUTUAL FUNDS

The mutual fund industry in India has come into existence in 1963 with the formation of Unit Trust of India, at the initiative of the Government of India and RBI. Mutual Fund is a trust that pools the savings of a number of investors who share a common financial goal. The money thus collected is then invested in capital market instruments such as shares, debentures and other securities. The income earned through these investments and the capital appreciations realized are shared by its unit holders in proportion to the number of units owned by them. MF seems to be the most suitable vehicle of investment for the common people as it offers opportunity to invest in a diversified, professionally managed basket of securities at a relatively low cost.

There are number of schemes of Mutual fund and all of them have different character and objective. It is the skill of the investor to keep in view the objective and then take decision where to invest. For e.g. in the wake of boom in the software sector, the Indian Mutual fund launched various sector specific schemes that entailed investment only in software stocks for that period.

1. Debt-Oriented Schemes
2. Equity-Oriented Schemes
3. Open-Ended Vs Close-Ended Schemes
4. Pure Growth Schemes
5. Pure Income Schemes
6. Balanced Schemes
7. Tax Saving Scheme
8. Sector Funds
9. Money Market Mutual Funds

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➢ COMMODITIES

The commodities trade in the 18th and 19th centuries was largely influenced by the shifts in macro economic patterns, the changes in government regulations, the advancement in technology, and other social and political transformations around the world. The 19th century has seen the establishment of various commodity exchanges, which paved the way for effective transportation, financing and warehousing facilities in this arena. In a new era of trading environment, commodities exchanges offer innumerable economic benefits by facilitating efficient price discovery mechanisms and competent risk transfer systems.

Commodity exchange is an association, or a company or any other body corporate organizing futures trading in commodities. Earlier, all the sellers and buyers of a commodity used to come to a common market place for the trade. Buyer could judge the amount of produce that year while the seller could judge the amount of demand of the commodity. Thus they could dictate their terms and hence the counter party was left with no choice. Thus, in order to hedge from this unfavorable price movement, need of the commodity exchange was felt.

The National Commodity Exchanges have been recognized by the Central Government for organizing trading in all permissible commodities which include precious (gold & silver) and non-ferrous metals; cereals and pulses; ginned and un-ginned cotton; oilseeds, oils and oil-cakes; raw jute and jute goods; sugar and gur; potatoes and onions; coffee and tea; rubber and spices, etc. The MCX, NCDEX and NMCE are large commodity exchanges in India and MCX is the biggest among them.

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[3.1.1] EQUITY MARKET

INTRODUCTION

The first company to issue shares of stock was the Dutch East India Company, in 1602. The innovation of joint ownership made a great deal of Europe's economic growth possible following the Middle Ages. The technique of pooling capital to finance the building of ships, for example, made the Netherlands a maritime superpower. Before adoption of the joint-stock corporation, an expensive venture such as the building of a merchant ship could only be undertaken by governments or by very wealthy individuals or families.

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Equity markets, the world over, grew at a great speed in the decade of the nineties. After the bear markets of the late eighties, the world markets saw one of the largest ever bull markets of more than ten years. The opening up of Indian economy in the 1990's led to a series of financial sector reforms, prominent being the capital market reforms. These reforms have led to the development of the Indian equity markets to the standards of the major global equity markets. All this started with the abolition of Controller of Capital Issues and subsequent free pricing of shares.

The introduction of dematerialization of shares, leading to faster and cheaper transactions and introduction of derivative products and compulsory rolling settlement

has followed subsequently. Despite a series of stock market scams and crises beginning from 1992 Harshad Mehta's scam to the Ketan Parekh's 2001 scam, the Indian equity markets have transformed themselves from a broker dominated market to a mass market. The introduction of online trading has given a much-needed impetus to the Indian equity markets. However, over the years, reforms in the equity markets have brought the country on par with many developed markets on several counts. Today, India boasts of a variety of products, including stock futures, an instrument launched only by select markets.

The introduction of rolling settlement is the latest step in the direction of overhauling the stock market. The equity market of the country will most likely be comparable with the world's most advanced secondary markets with regard to international best practices. The market moved to compulsory rolling settlement and now all settlements are executed on T+2 basis and market is gearing up for moving to T+1 settlement in 2004 while the Straight Through Processing (STP) is in place from December 2002.

The importance of equity market is increasing. Rightly, realizing the advantages of resource allocation through market, Government of India and Reserve Bank of India have been pushing reforms in equity markets. Series of steps are being taken to remove hurdles, increase market efficiency and to make it attractive for the retail investors to take part in the equity market. It may not be an exaggeration to say that the Indian markets are resourceful to put themselves on par with the markets of the developed countries. The Indian markets have assimilated in a relatively lesser time, many a developments that took long time in the developed markets.

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➔ TWIN TOWERS OF EQUITY MARKET

In India the main exchanges are the BSE and the NSE, which contribute to more than 90% of the trade in the capital market. These two exchanges are the movers and shakers of the equity market in India.

➢ NSE-NATIONAL STOCK EXCHANGE

NSE was setup in November 1992, started its trading operation effectively from June 30, 1994. Only the debt market segment of the NSE was put into operation initially. The capital market segment of the NSE commenced its operation on November 3, 1994. It provides facility for trading of equity instruments, warrants, debentures, preference shares etc. The total turn over of capital market segment of NSE was higher at RS.2,94,504crores/- as compared with RS.1,24,284crores/- of the Mumbai Stock Exchange in 1996-97. NSE has adopted fully automated screen based trading system, which allows trading members to trade from their offices through a communication network. The exchange has opened membership to a number of cities.

➢ BSE-BOMBAY STOCK EXCHANGE

Bombay Stock Exchange Limited (BSE) which was founded in 1875 with six brokers has now grown into a giant institution with over 874 registered Broker-Members spread over 380 cities across the country. Today, BSE's Wide Area Network (WAN) connecting over 8000 BSE Online Trading (BOLT) System Trader Work Stations (TWS) is one of the largest of its kind in the country. With a view to provide efficient and integrated services to the investing public through the members and their associates in the operations pertaining to the Exchange, Bombay Stock Exchange Limited (BSE) has set up a unique Member Services and Development to attend to the problems of the Broker-Members.

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➔ EQUITY AS AN INVESTMENT

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INTRODUCTION

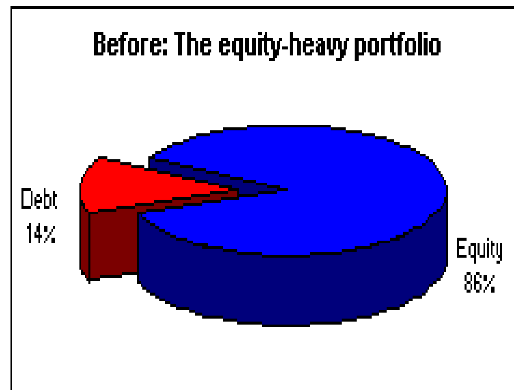
Equity is:

1. Stock or any other security representing an ownership interest.

2. On the balance sheet, the amount of the funds contributed by the owners (the stockholders) plus the retained earnings (or losses), also referred to as "shareholder's equity".

3. In the context of margin trading, the value of securities in a margin account minus what has been borrowed from the brokerage.

Equity is a term whose meaning depends very much on the context. In general, one can think of equity as ownership in any asset after all debts associated with that asset are paid off. For example, a car or house with no outstanding debt is considered the owner's equity since he or she can readily sell the items for cash. Stocks are equity because they represent ownership of a company, whereas bonds are classified as debt because they represent an obligation to pay and not ownership of assets.



The ability of equities to deliver over longer time frames and even outperform other investment avenues like gold, property and bonds is an often chronicled fact. However, over shorter time frames, equities also hold the potential to be a very risky asset class and expose the portfolio to high levels of volatility. This is the primary reason why any fund manager worth his salt always recommends a sufficiently long (at least 3 years) time frame for an equity-oriented investment. Similarly financial planners advocate pruning of the equity holdings with advancement in the investor's age, when the investor is typically closer to retirement (shorter investment horizon) and has a lower risk appetite as well.

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➔ WARREN BUFFET'S INVESTMENT IDEAS…!!!

"Warren Buffett is surely the Greatest Investor of the century - not so much because he built a great fortune within a free market as because he has shared his important thinking with us and has openly demonstrated the sagacity and courage so vital to success. Berkshire Hathaway has been my largest, longest investment. Warren has been my best teacher." Although Buffett is traditionally associated with Value Investing, his strategy combines both Growth and Value: Buffett would not buy a company with no growth prospect. It is another GARP (Growth At Reasonable Price) strategy.

BUFFET'S METHODOLOGY

Here, Buffet finds low-priced value by asking himself some questions when he evaluates the relationship between a stock's level of excellence and its price. Keep in mind that these are not the only things he analyzes but rather a brief summary of what Buffet looks for:

1. Has the company consistently performed well?

Sometimes Return On Equity (ROE) is referred to as "Stockholder's Return On Investment". It reveals the rate at which shareholders are earning income on their shares. Buffet always looks at ROE to see whether or not a company has consistently performed well in comparison to other companies in the same industry. Looking at the ROE in just the last year isn't enough. The investor should view the ROE from the past five to 10 years to get a good idea of historical performance.

2. Has the company avoided excess debt?

The debt/equity ratio is another key characteristic Buffett considers carefully. Buffet prefers to see a small amount of debt so that earnings growth is being generated from shareholders' equity as opposed! to borrowed money. This ratio shows the

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proportion of equity and debt the company is using to finance its assets and the higher the ratio, the more debt - rather than equity - is financing the company. A high level of debt compared to equity can result in volatile earnings and large interest expenses. For a more stringent test, investors sometimes use only long-term debt instead of total.

3. Are profit margins high? Are they increasing?

The profitability of a company depends not only on having a good profit margin but also on consistently increasing this profit margin. This margin is calculated by dividing net income by net sales. To get a good indication of historical profit margins, investors should look back at least five years. A high profit margin indicates the company is executing its business well, but increasing margins means management has been extremely efficient and successful at controlling expenses.

4. How long has the company been public?

Buffet typically considers only companies that have been around for at least 10 years. As a result, most of the technology companies that have had their initial public offerings (IPOs) in the past decade wouldn't get on Buffet's radar. It makes sense that one of Buffet's criteria is longevity: value investing means looking at companies that have stood the test of time but are currently undervalued. Never underestimate the value of historical performance, which demonstrates the company's ability (or inability) to increase shareholder value. Do keep in mind, however, that the past performance of a stock does not guarantee future performance - the job of the value investor is to determine how well the company can perform as well as it did in the past. Determining this is inherently tricky, but evidently Buffett is very good at it.

5. Do the company's products rely on a commodity?

Initially you might think of this question as a radical approach to narrowing down a company. Buffet, however, sees this question as an important one. He tends to shy away (but not always) from companies whose products are indistinguishable from those of competitors, and those that rely solely on a commodity such as oil and gas. If the company does not offer anything different than another firm within the same industry,

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Buffet sees little that sets the company apart. Any characteristic that is hard to replicate is what Buffet calls a company's economic moat, or competitive advantage. The wider the moat, the tougher it is for a competitor to gain market share.

6. Is the stock selling at a 25% discount to its real value?

This is the kicker. Finding companies that meet the other five criteria is one thing, but determining whether they are undervalued is the most difficult part of value investing, and Buffet's most important skill. To check this, an investor must determine the intrinsic value of a company by analyzing a number of business fundamentals, including earnings, revenues and assets. And a company's intrinsic value is usually higher (and more complicated) than its liquidation value - what a company would be worth if it were broken up and sold today. The liquidation value doesn't include intangibles such as the value of a brand name, which is not directly stated on the financial statements.

Once Buffet determines the intrinsic value of the company as a whole, he compares it to its current market capitalization - the current total worth (price). If his measurement of intrinsic value is at least 25% higher than the company's market capitalization, Buffet sees the company as one that has value. Sounds easy, doesn't it? Well, Buffet's success, however, depends on his unmatched skill in accurately determining this intrinsic value. While we can outline some of his criteria, we have no way of knowing exactly how he gained such precise mastery of calculating value.

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➔ EQUITY RESEARCH

The investor should bear in mind that while he makes investment decision, he should have idea of the company's break-even point and company's position in the stock exchange. For this EQUITY RESEARCH is done. Equity Research does the research of company's income and growth. In the process, it uses the various sources of financial information available in the country and accordingly advises in which company an investor should invest.

➢ FUNDAMENTAL ANALYSIS

The investor while buying stock has the primary purpose of gain. If he invests for a short period of time it is speculative but when he holds it for a fairly long period of time the anticipation is that he would receive some return on his investment. Fundamental analysis is a method of finding out the future price of a stock, which an investor wishes to buy. The method for forecasting the future behavior of investments and the rate of return on them is clearly through an analyze of the broad economic forces in which they operate. The kind of industry to which they belong and the analysis of the company's internal working through statements like income statement, balance sheet and statement of changes of income.

➢ ECONOMIC ANALYSIS

Investors are concerned with those forces in the economy, which affect the performance of organizations in which they wish to participate, through purchase of stock. A study of the economic forces would give an idea about future corporate earnings and the payment of dividends and interest to investors. Some of the broad forces within which the factors of investment operate are:

1. POPULATION

Population gives an idea of the kind of labor force in a country. In some countries the population growth has slowed down whereas in India and some other third world countries there has been a population explosion. Population explosion will give demand for more industries like hotels, residences, service industries like health, consumer demand like refrigerators and cars. Likewise, investors should prefer to invest in industries, which have a large amount of labor force because in the future such industries will bring better rates of return.

2. RESEARCH AND TECHNOLOGICAL DEVELOPMENTS

The economic forces relating to investments would be depending on the amount of resources spent by the government on the particular technological development affecting the future. Broadly the investor should invest in those industries which are getting a large amount of share in the funds of the development of the country. For example, in India in the present context automobile industries and spaces technology are receiving a greater attention. These may be areas, which the investor may consider for investments.

3. CAPITAL FORMATION

Another consideration of the investor should be the kind of investment that a company makes in capital goods and the capital it invests in modernization and replacement of assets. A particular industry or a particular company which an investor would like to invest can also be viewed at with the help of the economic indicators such as the place, value and property position of the industry, group to which it 110ngs and the year-to-year returns through corporate profits.

4. NATURAL RESOURCES AND RAW MATERIALS

The natural resources are to a large extent responsible for a country's economic development and overall improvement in the condition of corporate growth. In India, technological discoveries recycling of materials, nuclear and solar energy and new synthetics should give the investor an opportunity to invest in untapped or recently tapped resources which would also produce higher investment opportunity.

➢ INDUSTRIAL ANALYSIS

The industry has been defined as homogeneous groups of people doing a similar kind of activity or similar work. In India, the broad classification of industry is made according to stock exchange list, which is published. This gives a distinct classification to industry to industry in different forms such as:

(A) Engineering,

(B) Banking and Insurance,

(C) Textiles,

(D) Cement,

(E) Steel Mills and Alloys,

(F) Chemicals and Pharmaceuticals,

(G) Retail,

(H) Sugar,

(I) Information Technology,

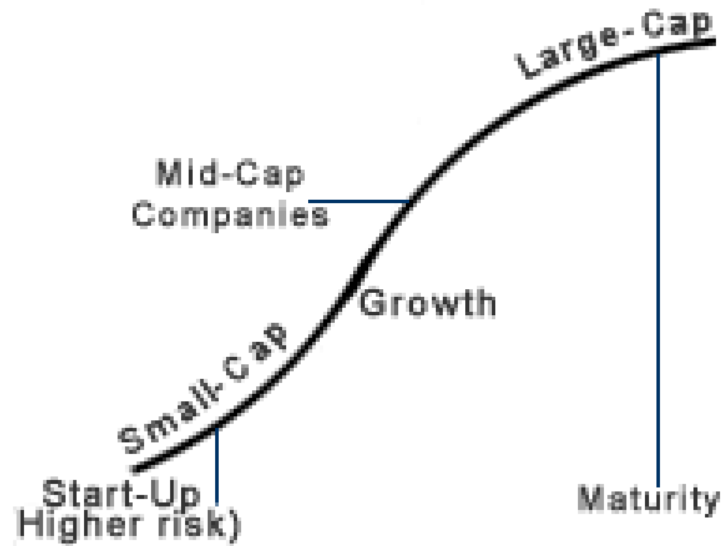
(J) Automobiles and Ancillary,

(K) Telecommunications,

(L) FMCG,

(M)Miscellaneous.

Industry should also be evaluated or analyzed through its life cycle. Industry life cycle may also be studied through the industrial life cycle state. There are generally three stages of an industry. These stages are pioneering stage, expansion stage and stagnation stage.



1. THE PIONEERING STAGE

The industrial life cycle has a pioneering stage when the new inventions and technological developments take place. During this time the investor will notice great increase in the activity of the firm. Production will rise and in relation to production, there will be a great demand for the product. At this stage, the profits are also very high as the technology is new. Taking a look at the profit many new firms enter into the same field and ill; market becomes competitive. The market competitive pressures keep on increasing with the en" of new-firms and the prices keep on declining and then ultimately profits fall. At this stage all firms compete with each other and only a few efficient firms are left to run the business and most of the other firms are wiped out in the pioneering stage itself.

2. THE EXPANSION STAGE

The efficient firms, which have been in the market now, find that it is time to stabilize them. Although competition is there, the, number of firms have gone down during ill pioneering stage itself and there are a large number of firms left to run the business in the industry. This is the time when each one has to show competitive strength and superiority. The investor will find that this is the best time to make an investment. At the pioneering stage it was difficult to find out which of the firm to invest in, but having waited for the stability period there has been a dynamic selection process and a few of the large number of firms are left in the industry. This is the period of security and safety and this is also called period of maturity for the firm. This stage lasts from five years to fifty years of a firm depending on the potential and productivity and policy to meet the change of competition and rapid change in buyer and customer habit. After this stage develops the stage of stagnation or obsolescence.

3. THE STAGNATION STAGE

During the stagnation stage the investor will find that although there is increase in sales of an organization, this is not in relation to the profits earned by the company. Profits are also there but the growth in the firm is lower than it was in the expansion stage. The industry finds that it is at a loss of power and cannot expand. During most of the firms who have realized the competitive nature of the industry and the arrival of the stagnation stage, begin to change their course of action and start on a new venture should make a continuous evaluation of their investments. In firms in which they have received profits for large number of years and have reached stagnation they can plan to their investments and find better avenues in those firms where the expansion stage has set in.

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➢ COMPANY ANALYSIS

Company analysis is a study of the variables that influence the future of a firm both qualitatively and quantitatively. It is a method of assessing the competitive position of a firm earning and profitability, the efficiency with which it operates its financial position and its ful1l with respect to the earning of its shareholders. The fundamental nature of this analysis is that each share of a company has an intrinsic value, which is dependent on the company's financial performance, quality of management and record of its earnings and dividend. They believe that the market price of share in a period of time will move towards its intrinsic value. If the market price of a share is lower than the intrinsic value, as evaluated by the fundamental analysis, then the share is supposed to be undervalued and it should be purchased but if the current market price shows that it is more than intrinsic value then according to the theory the share should be sold.

This basic approach is analyzed through the financial statements of an organization. The basic financial statements, which are required as tools of the fundamental analyst, are the income statement, the balance sheet, and the statement of changes in financial position. These statements are useful for investors, creditors as well as internal management of a firm and on the basis these statements the future course of action may be taken by the investors of the firm. While evaluating a company, its statement must be carefully judged to find out that they are:

(a) Correct,

(b) Complete,

(c) Consistent and

(d) Comparable

➢ TECHNICAL ANALYSIS

Technical analysis is simply the study of prices as reflected on price charts. Technical analysis assumes that current prices should represent all known information about the markets. Prices not only reflect intrinsic facts, they also represent human emotion and the pervasive mass psychology and mood of the moment. Prices are, in the end, a function of supply and demand. However, on a moment to moment basis, human emotions…fear, greed, panic, hysteria, elation, etc. also dramatically effect prices. Markets may move based upon people’s expectations, not necessarily facts. A market "technician" attempts to disregard the emotional component of trading by making his decisions based upon chart formations, assuming that prices reflect both facts and emotion. Analysts use their technical research to decide whether the current market is a BULL MARKET or a BEAR MARKET.

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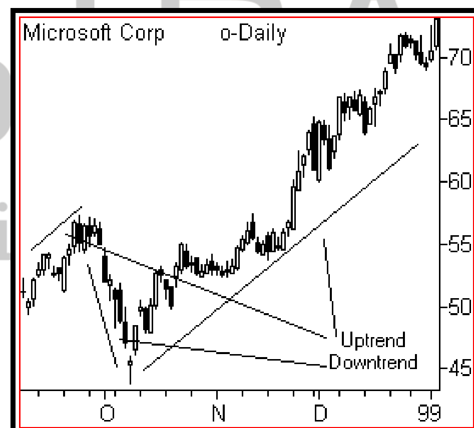
➢ STOCK CHARTS

A stock chart is a simple two-axis (X-Y) plotted graph of price and time. Each individual equity, market and index listed on a public exchange has a chart that illustrates this movement of price over time. Individual data plots for charts can be made using the CLOSING price for each day. The plots are connected together in a single line, creating the graph. Also, a combination of the OPENING, CLOSING, HIGH and/or LOW prices for that market session can be used for the data plots. This second type of data is called a PRICE BAR. Individual price bars are then overlaid onto the graph, creating a dense visual display of stock movement. Stock charts can be drawn in two different ways. An ARITHMETIC chart has equal vertical distances between each unit of price. A LOGARITHMIC chart is a percentage growth chart.

➢ TRENDS



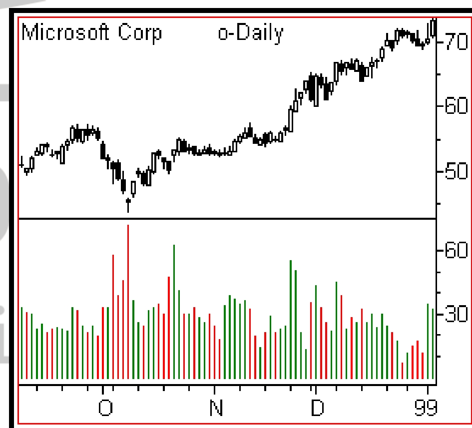
The stock chart is used to identify the current trend. A trend reflects the average rate of change in a stock's price over time. Trends exist in all time frames and all markets. Trends can be classified in three ways: UP, DOWN or RANGEBOUND. In an uptrend, a stock rallies often with intermediate periods of consolidation or movement against the trend. In doing so, it draws a series of higher highs and higher lows on the stock chart. In an uptrend, there will be a POSITIVE rate of price change over time. In a downtrend, a stock declines often with intermediate periods of consolidation or movement against the trend. In doing so, it draws a series of lower highs and lower lows on the stock chart. In a downtrend, there will be a NEGATIVE rate of price change over time. Range bound price swings

back and forth for long periods between easily seen upper and lower limits. There is no apparent direction to the price movement on the stock chart and there will be LITTLE or NO rate of price change.

Trends tend to persist over time. A stock in an uptrend will continue to rise until some change in value or a condition occurs. Declining stocks will continue to fall until some change in value or conditions occur. Chart readers try to locate TOPS and BOTTOMS, which are those points where a rally or a decline ends. Taking a position near a top or a bottom can be very profitable. Trends can be measured using TRENDLINES. Very often a straight line can be drawn UNDER three or more pullbacks from rallies or OVER pullbacks from declines. When price bars then return to that trend line, they tend to find SUPPORT or RESISTANCE and bounce off the line in the opposite direction.

➢ VOLUME

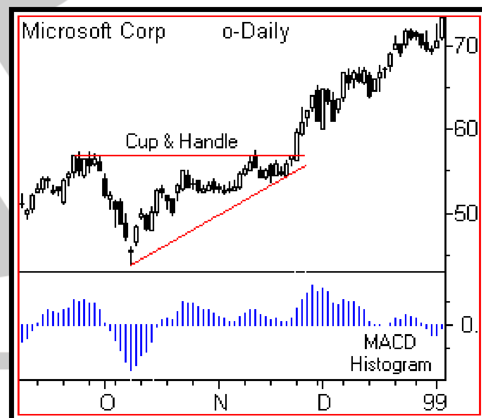
Volume measures the participation of the crowd. Stock charts display volume through individual HISTOGRAMS below the price pane. Often these will show green bars for up days and red bars for down days. Investors and traders can measure buying and selling interest by watching how many up or down days in a row occur and how their volume compares with days in which price moves in the opposite direction.



Stocks that are bought with greater interest than sold are said to be under ACCUMULATION. Stocks that are sold with great interest than bought are said to be under DISTRIBUTION. Accumulation and distribution often LEAD price movement. In other words, stocks under accumulation often will rise some time after the buying begins. Alternatively, stocks under distribution will often fall some time after selling begins.

It takes volume for a stock to rise but it can fall of its own weight. Rallies require the enthusiastic participation of the crowd. When a rally runs out of new participants, a stock can easily fall. Investors and traders use indicators such as ON BALANCE VOLUME to see whether participation is lagging (behind) or leading (ahead) the price action. Stocks trade daily with an average volume that determines their LIQUIDITY. Liquid stocks are very easy for traders to buy and sell. Liquid stocks require very high SPREADS (transaction costs) to buy or sell and often cannot be eliminated quickly from a portfolio. Stock chart analysis does not work well on illiquid stocks.

➢ PATTERNS AND INDICATORS



How can one organize the endless stream of stock chart data into a logical format? Charts allow investors and traders to look at past and present price action in order to make reasonable predictions and wise choices. It is a highly visual medium. This one fact separates it from the colder world of value-based analysis. The stock chart activates both left-brain and right-brain functions of logic and creativity. So it's no surprise that over the last century two forms of analysis have developed that focus along these lines of critical examination.

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The oldest form of interpreting charts is PATTERN ANALYSIS. This method gained popularity through both the writings of Charles Dow and Technical Analysis of Stock Trends, a classic book written on the subject just after World War II. The newer form of interpretation is INDICATOR ANALYSIS, a math-oriented examination in which the basic elements of price and volume are run through a series of calculations in order to predict where price will go next.

Pattern analysis gains its power from the tendency of charts to repeat the same bar formations over and over again. These patterns have been categorized over the years as having a bullish or bearish bias. Some well-known ones include HEAD and SHOULDERS, TRIANGLES, RECTANGLES, DOUBLE TOPS, DOUBLE BOTTOMS and FLAGS. Also, chart landscape features such as GAPS and TRENDLINES are said to have great significance on the future course of price action. Indicator analysis uses math calculations to measure the relationship of current price to past price action. Almost all indicators can be categorized as TREND-FOLLOWING or OSCILLATORS. Popular trend-following indicators include MOVING AVERAGES, ON BALANCE VOLUME and MACD. Common oscillators include STOCHASTICS, RSI and RATE OF CHANGE. Trend-following indicators react much more slowly than oscillators. They look deeply into the rear view mirror to locate the future. Oscillators react very quickly to short-term changes in price, flipping back and forth between OVERBOUGHT and OVERSOLD levels.

Both patterns and indicators measure market psychology. The core of investors and traders that make up the market each day tend to act with a herd mentality as price rises and falls. This "crowd" tends to develop known characteristics that repeat themselves over and over again. Chart interpretation using these two important analysis tools uncovers growing stress within the crowd that should eventually translate into price change.

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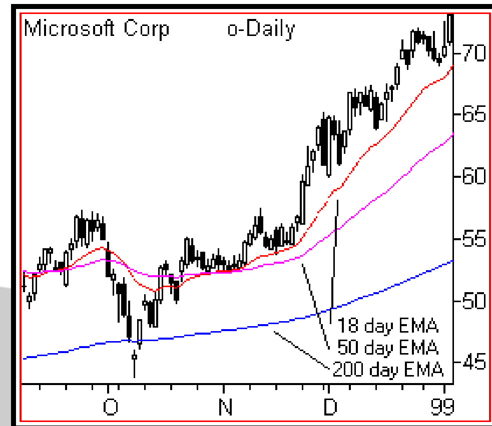
➢ MOVING AVERAGES



The most popular technical indicator for studying stock charts is the MOVING AVERAGE. This versatile tool has many important uses for investors and traders. Take the sum of any number of previous CLOSE prices and then divide it by that same number. This creates an average price for that stock in that period of time. A moving average can be displayed by re-computing this result daily and plotting it in the same graphic pane as the price bars. Moving averages LAG price. In other words, if price starts to move sharply upward or downward, it will take some time for the moving average to "catch up".

Plotting moving averages in stock charts reveals how well current price is behaving as compared to the past. The power of the moving average line comes from its direct interaction with the price bars. Current price will always be above or below any moving average computation. When it is above, conditions are "bullish". When below, conditions are "bearish". Additionally, moving averages will slope upward or downward over time. This adds another visual dimension to a stock analysis.

Moving averages define STOCK TRENDS. They can be computed for any period of time. Investors and traders find them most helpful when they provide input about the SHORT-TERM, INTERMEDIATE and LONG-TERM trends. For this reason, using multiple moving averages that reflect these characteristics assist important decision making. Commons moving average settings for daily stock charts are 20 days for short-term, 50 days for intermediate and 200 days for long-term.

One of the most common buy or sell signals in all chart analysis is the MOVING AVERAGE CROSSOVER. These occur when two moving averages representing different trends. For example, when a short-term average crosses BELOW a long-term

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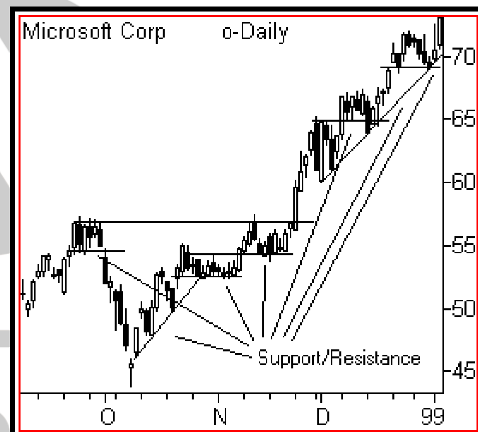
one, a SELL signal is generated. Conversely, when a short-term crosses ABOVE the long-term, a BUY signal is generated.

Moving averages can be "speeded up" through the application of further math calculations. Common averages are known as SIMPLE or SMA. These tend to be very slow. By giving more weight to the current changes in price rather than those many bars ago, a faster EXPONENTIAL or EMA moving average can be created. Many technicians favor the EMA over the SMA. Fortunately all common stock chart programs, online and offline do the difficult moving average calculations but plot price perfectly.

➢ SUPPORT AND RESISTANCE

The concept of SUPPORT AND RESISTANCE is essential to understanding and interpreting stock charts. Just as a ball bounces when it hits the floor or drops after being thrown to the ceiling, support and resistance defines natural boundaries for rising and falling prices. Buyers and sellers are constantly in battle mode. Support defines that level where buyers are strong enough to keep price from falling further. Resistance defines that level where sellers are too strong to allow price to rise further. Support and resistance play different roles in uptrends and downtrends. In an uptrend, support is where a pullback from a rally should end. In a downtrend, resistance is where a pullback from a decline should end. Support and resistance are created because price has memory. Those prices where significant buyers or sellers entered the market in the past will tend to generate a similar mix of participants when price again returns to that level.



When price pushes above resistance, it becomes a new support level. When price falls below support, that level becomes resistance. When a level of support or resistance is penetrated, price tends to thrust forward sharply as the crowd notices the BREAKOUT

and jumps in to buy or sell. When a level is penetrated but does not attract a crowd of buyers or sellers, it often falls back below the old support or resistance. This failure is known as a FALSE BREAKOUT. Support and resistance come in all varieties and strengths. They most often manifest as horizontal price levels. But trend lines at various angles represent support and resistance as well. The length of time that a support or resistance level exists determines the strength or weakness of that level. The strength or weakness determines how much buying or selling interest will be required to break the level. Also, the greater volume traded at any level, the stronger that level will be.

Support and resistance exist in all time frames and all markets. Levels in longer time frames are stronger than those in shorter time frames. The ideas of Charles Dow, the first editor of the Wall Street Journal, form the basis of technical analysis today. The behavior patterns that he observed apply to markets throughout the world.

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[3.1.2] PRIMARY MARKET

➔ INTRODUCTION TO PRIMARY MARKET

Primary market is the place where issuers create and issue equity, debt or hybrid instruments for subscription by the public; the secondary market enables the holders of securities to trade them. Primary market is a market for raising fresh capital in the form of shares. Public limited companies that are desirous of raising capital funds through the issue of securities approach this market. The public limited and government companies are the issuers and individuals, institutions and mutual funds are the investors in this market. The primary market allows for the formation of capital in the country and the accelerated industrial and economic development.

Everywhere in the world capital markets have originated as the new issues markets. Once industrial companies are set up in a big number and with them a considerable volume of business comes into existence a market for outstanding issues develops. In the absence of secondary market or the stock exchange, the capital market will be paralyzed. This is on account of the reason that the business enterprises borrow money from the capital market for a very long period but the investors or savers whose savings are canalized through the capital market generally wish to invest only for a short period. Existence of the stock exchange provides a medium through which these two ends can be reconciled. It enables the investors to sell their shares for money whenever they wish to do so. Thus, the business enterprises keep the possession of permanent capital; the shares can keep on changing hands.

In order to sell securities, the company has to fulfill various requirements and decide upon the appropriate timing and method of issue. It is quite normal to obtain the assistance of underwriters, merchant banks or special agencies to look after these aspects.

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➔ METHODS OF MARKETING IN PRIMARY MARKET

1. PUBLIC ISSUE

A public limited company can raise the amount of capital by selling its shares to the public. Therefore, it is called public issue of shares or debentures. For this purpose it has to prepare a 'Prospectus'. A prospectus is a document that contains information relating to the company such as name, address, registered office and names and addresses of company promoters, managers, Managing Director, directors, company secretary, legal advisors, auditors and bankers. It also includes the details about project, plant location, technology, collaboration, products, export obligations etc. The company has to appoint brokers and underwriters to sell the minimum number of shares and it has to fix the date of opening and closing of subscription list.

The new issue of shares or debentures of a company are offered for exclusive subscription of general public. The prospectus should be approved by SEBI. A minimum of 49 per cent of the amount of the issue at a time is to be offered to public. The company makes a direct offer to the general public to subscribe the securities of a stated price. The securities may be issued at par, at discount or at a premium. An existing company may sell the shares at a premium. There is no practice of selling shares at a discount in India.

Public issue is a popular method of raising capital. It provides wide distribution of ownership securities. It also promotes confidence of investors through transparency and non-discriminatory basis of allotment. It satisfies compliance with the legal requirements. However, the issue of securities through prospects is time consuming because there are various formalities to be completed by the company. The cost of raising capital is also very high due to underwriting, commission, brokerage, publicity, legal, and other administrative costs.

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2. PRIVATE PLACEMENT

A Company makes the offer of sale to individuals and institutions privately without the issue of a prospectus. This saves the cost of issue of securities. The securities are placed at higher prices to individuals and institutions. Institutional investors play a very important role in the private placement. This has become popular in recent days.

This method is less expensive and time saving. The company has to complete a very few formalities. It is suitable for small companies as well as new companies. This method can be used when the stock market is bull. However, the private placement helps to concentrate securities in the few hands. They can create artificial scarcity and increase the prices of shares temporarily and then sell the shares in the stock market and mislead the common and small investors. This method also deprives the common investors of an opportunity to subscribe to the issue of shares.

3. OFFER FOR SALE

A Company sells the securities through the intermediaries such as issue houses, and stockbrokers. This is known as an offer for sale method. Initially, the company makes an offer for sale of its securities to the intermediaries stating the price and other terms and conditions. The intermediaries can make negotiations with the company and finally accept the offer and buy the shares from the company. Then these securities or shares are re-sold to the general investors in the stock market normally at a higher price in order to get profit. The intermediaries have to bear the expenses of this issue. The object of this issue is to save the time, cost and get rid of complicated procedure involved in the marketing of securities. The issues can also be underwritten in order to ensure full subscription of the issue. The general publics get the shares at a higher price the middlemen are more benefited in this process.

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4. BOUGHT OUT DEALS

A Company makes an outright sale of equity shares to a single sponsor or the lead sponsor and such deals are known as bought out deals. There are three parties involved in the bought out deals. The promoters of the company, sponsors and co-sponsors, sponsors are merchant bankers and co-sponsors are the investors. There is an agreement in which an outright sale of a chunk of equity shares is made to a single sponsor or the lead sponsor. The sale price is finalized through negotiations between the issuing company and the purchasers. It is influenced by various factors such as project evaluation, reputation of the promoters, current market sentiments etc. Bought out deals are in the nature of fund-based activity where the funds of the merchant bankers are locked in for at least for a minimum period. These shares are sold at over the Counter Exchange of India or at a recognized stock exchange. Listing takes place when the company gets profits and performs well. The investor-sponsors make profits because the shares are listed at higher price.

5. INITIAL PUBLIC OFFER

When a company makes public issue of shares for the first time, it is called Initial Public Offer. The securities are sold through the issue of prospectus to successful applicants on the basis of their demand. The company has to appoint underwriters in order to guarantee the minimum subscription. An underwriter is generally an investment banking company. The underwriter agrees to pay the company a certain price and buy a minimum number of shares, if they are not subscribed by the public. The underwriter charges some commission for this work. He can sell these shares in the market afterwards and make profit. There may be two or more underwriters in case of large issue.

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The company has to issue a prospectus giving full information about the company and the issue. It has to issue share application forms through the brokers and underwriters. The brokers collect orders from their clients and place orders with the company. The company then makes the allotment of shares with the help of stock exchange. The share certificate are delivered to the investors or credited to their demat accounts through the depository. This method saves time and avoids complicated procedure of issue of shares.

With more and more companies coming out with tempting IPO or additional offers, there is greater need to exert caution and pick the best IPO investments. Following four critical factors should be studied in an IPO offer document, before making an IPO investment: Promoter, Performance, Prospects and Price.

- **Check Promoter Standing**

This by far is the most important factor in any investment decision. A good promoter or management team is important for any business success, especially over long periods. While businesses may have their ups and downs, a good management will take all necessary steps to ensure profitable performance. Secondly, they would be constantly looking at new business opportunities, thereby ensuring regular growth in the company. Thirdly, we are reasonably certain that the company money will not be deliberately misused or siphoned off to the detriment of the shareholders.

Therefore, look at the promoter’s background, the experience he has in the industry, the performance of the other companies promoted by him, his track record, investor complaints etc. Read the risk factors very carefully especially those pertaining to the promoter/management. Check for any serious litigation against the promoter or the company. See whether the company is a defaulter to the banks/FIs and the reason thereof.

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- **Study Company Performance**

The share price is the reflection of the operational performance of the company. Poor numbers say the sales, profit, EPS etc. would mean poor performance on the stock exchange. Therefore, it is important that the company has a track record of good operational performance. Look for any window dressing. Are the numbers in line with the similar companies in the industry? Is there any sudden improvement in the numbers just before the issue, without any justifiable reasons? Also look at the performance of the group companies and the inter-company transaction within the group. Ensure that there are no dubious transactions. Look at the loans given to group companies. Are they paying reasonable interest? Is the loan likely to be repaid?

- **Understand Future Prospects:**

The future prospects of the Company and the industry would play an important role in the performance of the scrip on the stock exchange. Check the objects. How will they impact the future prospects? How will the funds raised be utilized? Will it additionally benefit the company? Is the money being raised for a new project, which will add to the bottom-line of the company?

If its' an offer-for-sale, it means the existing shareholders are selling a part of their stake in the Company. The amounts raised from the issue will not go to the Company. Therefore, the Company will not benefit from an offer for sale. If the purpose of the issue is to list the company on the stock exchange and the 4 Ps are positive, then one can consider investing.

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- **Look At The Price:**

Finally of course every product/scrip has a right price based on its' fundamentals and industry prospects. Even if the above 3 Ps were favorable, a high price is likely to reduce the prospects of appreciation at the exchange, thereby defeating your purpose of investing. Look at the average industry PE and the companies's EPS and try to estimate the fair price. Compare this with the issue price to see if it is undervalued or overvalued.

Buy value nor price. Issues which are overvalued such issues tend to quote below issue price over a period of time and it may be prudent to enter then, than at the IPO stage.

For follow-on issues the price is more or less known. Therefore, there may not be much listing gain or loss. Again look for fair valued or undervalued scrip. A little time spent in reading the offer document and analyzing the IPO on the above factors will help you to make right investment decisions and prevent you from ending-up holding a dud stock.

6. RIGHT ISSUE

When an existing company issues shares to its existing shareholders in proportion to the number of shares held by them, it is known as Rights Issue. Rights issue is obligatory for a company where increase in subscribed capital is necessary after two years of its formation or after one year of its first issue of shares, whichever is earlier. SEBI has issued guidelines for issue of right shares. Accordingly, only a listed company can make right issue. Rights issue can be made only in respect of fully paid up shares. No reservation is allowed for rights issue of fully or partly convertible debentures. The company has to make announcement of rights issue and once the announcement is made it cannot be withdrawn. The company has to make the appointment Registrar but underwriting is optional. It has also to appoint category I Merchant Bankers holding a certificate of registration issued by SEBI. Letter of offer should contain disclosures as per SEBI requirements. The rights issue should be open for minimum period of 30 days, and maximum up to 60 days. The company has to make an agreement with the depository for materialization of securities to be issued in demat form. A minimum subscription of 90 per cent of the issue should be received. A no complaints certificate is to be filed by the Lead Merchant Banker with the SEBI after 21 days from the date of issue of offer document.

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7. BONUS ISSUE

Bonus shares are the shares allotted by capitalization of the reserves or surplus of a company. Issue of bonus shares results in conversion of the company's profits or reserves into share capital. Therefore, it is capitalization of company's reserves. Bonus shares are issued to the equity shareholders in proportion to their holdings of the equity share capital of the company. Issue of bonus shares does not affect the total capital structure of the company. It is simply a capitalization of that portion of shareholders equity which is represented by reserves and surplus. The issues of bonus shares are issued subject to certain rules and regulations. Issue of bonus shares reduces the market price of the company's shares and keeps it within the reach of ordinary investors. The company can retain earnings and satisfy the desire of the shareholders to receive dividend. Issue of bonus shares is generally an indication of higher future profits. Receipt of bonus shares as compared to cash dividend generally results in tax advantage to the shareholder.

8. BOOK-BUILDING

Companies generally raise capital through public issue. In these cases companies decide the size of the issue and also the price at which the shares are to be offered to the investors. However in this system the issuer is not able to ascertain the price that the market may be willing to pay for the shares, before launching the issue. This is where book building can come to their aid. This method is also known as the price discovery method. This is a mechanism whereby the price is determined on the basis of actual demand as evident form the offers given by the various institutional investors and the underwriters.

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In the actual public offer process, investors are not involved in determining the offer price, whereas in book building pricing is determined on the basis of investor feedback which assures investor demand. Since the issue price after the issue marketing there is flexibility in the issue size and the price of the shares.

The option of book building is available to all body corporate, which are otherwise eligible to make issue of capital to the public. The initial minimum size of issue through book-building process was fixed at Rs. 100 crores/-. However, issue of any size

was allowed since 1996. Book-Building facility is available as an alternative to firm allotment. A Company can opt for book-building process for the sale of securities to the extent of the percentage of the issue. that can be reserved for firm allotment.

Book-Building method helps in evaluating the intrinsic worth of an instrument and the company's credibility in the eyes of the investor. The company also gets firm commitments on the basis of which it can decide whether to go or not to go for a particular issue of securities. Book-Building process also provides reliable allotment procedure and quick listing of shares on the stock exchanges. There is no price manipulation because the price is determined on the basis of bids received' from the investors. The following stages are involved in the book-building process:

(1) Appointment of book-runners.

(2) Drafting of prospectus and getting approval from SEBI.

(3) Circulating draft prospectus.

(4) Maintaining offer details.

(5) Intimation of aggregate orders to the book-runner.

(6) Bid analysis.

(7) Mandatory underwriting.

(8) Filing copy of prospectus with registrar of companies.

(9) Opening bank accounts for collection of application money.

(10) Collection of applications.

(11) Allotment of shares.

(12) Payment schedule and listing of shares.

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➔ INTERMEDIARIES IN PRIMARY MARKET

1. MERCHANT BANKERS

Merchant bankers carry out the work of underwriting and portfolio management, issue management etc. They are required to get separate registration with SEBI as portfolio managers. Underwriting can be done without any additional registration. Only body corporate with a net worth of Rs. 5 crores/- are allowed to work as category I merchant bankers. They have to carry out the work relating to new issue such as determination of security mix to be issued, drafting of prospectus, application forms, allotment letters, appointment of registrars for handling share applications and transfer, making arrangement for underwriting placement of shares, appointment of brokers and bankers to issue, making publicity of the issue. They are also known as lead managers to an issue.

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Category II merchant bankers can act as consultants, advisers, portfolio managers and co-managers. Category III merchant bankers can act as underwriters, advisors and consultants and category IV merchant bankers can act only as advisers or consultants to a public issue. Merchant bankers have to fulfill the prescribed minimum capital adequacy norms in terms of net worth and they should have adequate and necessary infrastructure. They should also employ experts having professional qualifications.

2. UNDERWRITERS

The issuing company has to appoint underwriters in consultation with the merchant bankers or lead manager. The underwriters play an important role in the development of the primary market. The underwriters are the institutions or agencies, which provide a commitment to take up the issue of securities in case the company fails to get full subscription from the public. They get commission for their services. The underwriting services are provided by the brokers, investment companies' commercial banks and term lending institutions.

3. BANKERS TO THE ISSUE

The bankers play an important role in the working of the primary market. They collect applications for shares and debentures along with application money from investors in respect of issue of securities. They also refund the application money to the applicants to whom securities could not be allotted on behalf of the issuing company. A company is not authorized to collect the application money. The Companies Act, 1956, provides that the money on account of issue of shares and debentures should be collected through the banks. Therefore, an issuing company has to appoint bankers to collect money on behalf of the company.

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4. REGISTRARS AND SHARES TRANSFER AGENTS

Registrar is an intermediary which carries out functions such as keeping a proper record of applications and money received from investors, assisting the companies in determining the basis of allotment of securities as per stock exchange guidelines and in consultation with stock exchanges assist in the finalization of allotment of securities and processing and dispatching of allotment letters, refund orders, share certificates and other documents related to the capital issues. Share Transfer Agents are also intermediaries who carry out functions of maintaining records of holders of securities of the company for and on behalf of the company and handling all matters related to transfer and redemption of securities of the company. They also function as Depository Participants.

Registrar and share transfer agents are of two categories. Category I carry out the activities of both registrars to an issue and of share transfer agents. Category II carries out the activity fielder of a registrar to an issue or as a share transfer agent.

5. BROKERS TO AN ISSUE

Brokers are the middlemen who provide a vital connecting link between the prospective investors and the issuing company. They assist in the subscription of issue by the public. However, appointment of brokers is not mandatory. Brokers get their commission from the issuing company according to the provisions of the Companies Act and rules and regulations. There is an agreement between the brokers and the issuing company. The maximum brokerage rate is 1.5 per cent of the capital raised in case of public issue and 0.5 per cent in case of private placement. The brokerage covers the cost of mailing, canvassing and all other expenses relating to the subscription of the issue.

The brokers should have an expert knowledge, professional competence and integrity in order to carry out the overall functions of an issue. They have to obtain consent from the stock exchange to act as a broker to the issuing company. The names and addresses of the brokers to the issue are disclosed in the prospects by the company help the investors to make a choice of the company for making their investments.

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[3.1.3] SECONDARY MARKET:-

INTRODUCTION

A market, which deals in securities that have been already issued by companies, is called as secondary market. It is also known as stock market. It is the base upon which the primary market is depending. For the efficient growth of the primary market a sound secondary market is an essential requirement. The secondary market offers an important facility of transfer of securities activities of securities.

Secondary market essentially comprises of stock exchanges, which provide platform for purchase and sale of securities by investors. In India, apart from the Regional Stock Exchanges established in different centers, there are exchanges like the National Stock Exchange (NSE), who provide nation wide trading facilities with terminals all over the country. The trading platform of stock exchanges is accessible only through brokers and trading of securities is confined only to stock exchanges.

The activities of buying and selling of securities in a market are carried out through the mechanism of stock exchange. There are at present 24 Stock Exchanges in India, recognized by the government. The first organized stock exchange was established in India at Bombay in 1887. When the Securities Contracts (Regulation) Act was passed in 1956, only 7 stock exchanges were recognized. There are three important stock exchanges in Bombay namely the Bombay Stock Exchange, National Stock Exchange and over the Counter Exchange of India. There has been a substantial growth of capital market in India during the last 25 years.

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➔ LISTING

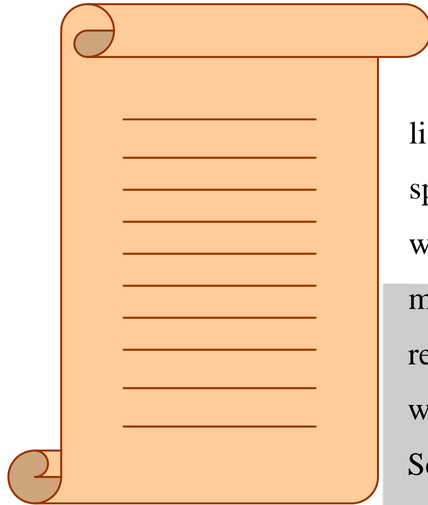
Listing is a process involved in listing something with some one. It is a permission to quote shares and debentures officially on the trading floor of the stock exchange. The listed shares appear on the official list of securities for the purpose of trading security listing is a step that is required to register and to place on record the security of a company with the appropriate authority i.e. the recognized stock exchange. Securities are required to be listed under Section 9 of the Securities Contract (Regulation) Act, 1956. Thus, listing simply means the inclusion of any security for the purpose of trading in a recognized stock exchange. Only public companies are allowed to list their securities in the stock exchange. Private Limited companies cannot get listing facility. They shall first convert themselves into public limited companies and their Articles of Association shall contain prohibitions as laid down in the listing agreement and as applicable to public limited companies.

The issuer wishing to have trading privileges for its securities satisfies listing requirements prescribed in the relevant statutes and in the listing regulations of the Exchange. It also agrees to pay the listing fees and comply with listing requirements on a continuous basis. All the issuers who list their securities have to satisfy the corporate governance requirement framed by regulators. The prices at which the securities are traded in the stock exchange are published in the newspapers. Investors are able to know these price trends from such publications. Compared to listed securities the trading of unlisted securities is difficult. The price trends in respect of unlisted securities are seldom known to the investors and the contract between the seller and buyer takes places mostly on one to one basis.

➢ LISTING PROCEDURE

The listing procedure involves making a simple application by the company and payment of listing fees as prescribed by the respective stock exchange. It is to be completed before the offer of securities to the public and registration of prospectus with the Registrar of Companies. The recognized stock exchange has to give approval and then make an agreement stating the terms and conditions. Registration and recording is done for the purpose of trading by the registered members of the stock exchange and for the official quotation of the security price for the benefit of the public and the investors. The company has to continue listing by paying renewal fees from time to time. Listing is mandatory for a public company, which intends to offer its securities to the public by issue of prospectus and which wishes to provide facilities to the securities being offered to the public. Any allotment of securities made in the absence of listing or refusal of listing is held to be void i.e. illegal. Again, any failure to comply with the Section 21 of the Securities Contracts (Regulation) Act attracts penalty to the parties. The authority of the stock exchange may refuse listing of the securities of a company. The authorities should intimate the company within 15 days with the reasons for refusal. The company can make an appeal to the Central Government within a prescribed period. The Central Government may either grant or refuse to grant the permission for listing and the decision of the Central Government would be informed to the stock exchange concerned that shall act in conformity with such a decision. The stock exchange is empowered to suspend or withdraw an admission to dealing in securities of company for breach or non-compliance with the listing provision on giving an opportunity of being heard in writing. In an eventuality where any withdrawal or suspension exceeds 3 months, the company may appeal to the SEBI who may either vary or set aside the decision of the stock exchange.

LISTING AGREEMENT



All companies seeking listing of their securities on the Exchange are required to enter into a listing agreement with the Exchange. The agreement specifies all the requirements to be continuously complied with by the issuer for continued listing. The Exchange monitors such compliance. Failure to comply with the requirements invites suspension of trading, or withdrawal/delisting, in addition to penalty under the Securities Contracts (Regulation) Act, 1956. The agreement is being increasingly used as a means to improve corporate governance.

TYPES OF LISTING

Listing of securities falls under 5 groups –

1. INITIAL LISTING

If the shares or securities are to be listed for the first time by a company on a stock exchange is called initial listing.

2. LISTING FOR PUBLIC ISSUE

When a company whose shares are listed on a stock exchange comes out with a public issue of securities, it has to list such issue with the stock exchange.

3. LISTING FOR RIGHTS ISSUE

When companies whose securities are listed on the stock exchange issue securities to existing shareholders on rights basis, it has to list such rights issues on the concerned stock exchange.

4. LISTING OF BONUS SHARES

Shares issued, as a result of capitalization of profit through bonus issue shall list such issues also on the concerned stock exchange.

5. LISTING FOR MERGER OR AMALGAMATION

When an amalgamated company issues new shares to the shareholders of the amalgamating company, such shares are also required to be listed on the concerned stock exchange.

➢ BENEFITS OF LISTING

Listing of securities is beneficial to company as well as to investors:

✓ TO THE COMPANY

1. The company enjoys concessions under Direct Tax Laws as such companies are known as companies in which public are substantially interested resulting in low rate of income tax payable by them.
2. The company gains national and international importance by share value quoted on stock exchanges.
3. Financial institution and banks extend term loan facilities in the form of rupee currency and foreign currency loan.
4. It helps the company to mobilize resources from the shareholders through ' Right Issue' for programs of expansion and modernization without depending on the financial institutions in line with the government policies.
5. It ensures wide distribution of shareholding thus avoiding fears of easy takeover of the organization by others.

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✓ **TO THE INVESTORS**

1. Since the securities are officially traded, liquidity of investment by the investors is well ensured.
2. Rights entitlement in respect of further issues can be disposed of in the market.
3. Listed securities are well preferred by the bankers for extending loan facilities.
4. Official quotations of the securities on the stock exchanges corroborate the valuation taken by the investors for the purpose of assessment under Income Tax Act, Wealth Tax Act etc.
5. Since securities are quoted, there is no secrecy of the price realization of securities sold by the investors.
6. The rules of stock exchange protect the interest of the investors in respect of their holding.
7. Listed companies are obliged to furnish unaudited financial results on quarterly basis. The said details enable the investing public to appropriate financial results between the financial periods.
8. Takeover offers concerning the listed companies are to be announced to the public. This will enable the investing public to exercise their discretion on such matters.

✓ **OTHER BENEFITS**

1. Easy marketability and liquidity which also ensures easy rising of capital.
2. Easy evaluation of the real worth of securities.
3. High collateral value for bank loans.
4. Providing activities of quick transfer registration and company information.
5. There is a safety in dealing of securities.
6. It safeguards general public interest by ensuring equitable allotment, easy transfer, and disclosure of proper information.
7. Tax incentives are available to listed securities.

8. Higher status and reputation for the company by enjoying the confidence of the investing public.
9. Provides an assurance of an existence of good faith or an absence of fraud with regard to the issue of securities.
10. Listing is made through analysis of a company's capital structure, management pattern and business prospects. Hence, provides assurance of genuineness of securities.

➔ TRADING

The act of buying and selling of securities on a stock exchange is known as Stock Exchange Trading. Jobbers and brokers are the two categories of dealers in the stock exchange. A jobber is a dealer in securities while a broker is an agent or seller of securities. Every year a member has to decide and declare in advance whether he proposes to act as a jobber or a broker. A jobber gives two quotations as a dealer in securities, lower quotation for buying and higher one for selling. The difference between the two quotations is his remuneration. This system enables specialization in the dealings and each jobber specializes in a certain group of securities. It also ensures smooth and prompt execution of transactions. The double quotation of a jobber assures fair-trading in the market. A broker is merely an agent to buy or sell on behalf of his clients. He is a generalist. Broker has to negotiate terms and conditions of sale or purchase and safeguard his client's interest. He gets commission from his clients', that is fixed by the stock exchange.

➔ DEMAT

Demat is "dematerialization" on shares. Dematerialization is a process by which the shares, debentures etc in the physical form get converted into the electronic form and are stored in the computers by the depository. Earlier there used to be the hectic procedure of physical delivery of shares. Dematerialization is a unique process of trading the shares in the electronic form rather then the vulnerability of the physical delivery of the shares.

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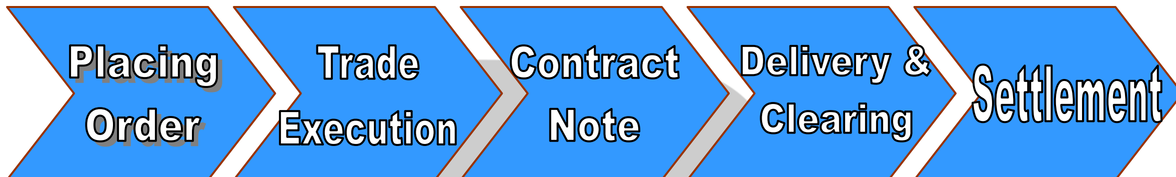
The introduction of NEAT and BOLT has increased the reach of capital market manifolds. The increase in number of investors participating in the capital market has increased the probability of being hit by a bad delivery. The cost and time spent by the brokers for rectification of these bad deliveries tends to be higher. In this technological world things are needed to move at a faster pace, and with the introduction of dematerialization process the stock exchange has expanded its business at a tremendous speed.

➔ TRADING PROCEDURE

The following are the steps involved in the trading of securities at a stock exchange:



1. PLACING ORDER

An order is to be placed by an investor with the broker either to buy or sale of certain number of securities at a certain specified price. An order can be placed by telegram, telephone, telex/ fax, and letter or in person. There are different types of orders. When in the order the client places a limit on the price of the security it is called limit order. Where the order is to be executed by the broker at the best price, such an order is called 'Best Rate Order'. When the client does not fix any price limit or time limit on the execution of the order and relies on the judgement of the broker is called 'Open Order'.

2. TRADE EXECUTION

The broker has to execute the order placed by his client during the trading hours. The order is executed as per requirements of the client. The broker may negotiate with other parties in order to execute the orders.

3. CONTRACT NOTE

When the order is executed, the broker prepares a contract note. It is the basis of the transaction. Particulars such as price, quantity of securities, date of transaction, names of the parties, brokerage etc. are entered in the contract note.

4. DELIVERY AND CLEARING

Delivery of shares takes place through the instrument known as transfer deed. The transfer deed is signed by the transferor (seller) and is authenticated by a witness. It contains the details of the transferee, stamp of the selling broker, etc. Delivery and payment may be completed after 14 days as specified at the time of negotiation. Delivery and clearing of security takes place through a clearance house.

5. SETTLEMENT

The procedure adopted for the settlement of transactions varies depending upon the kind of securities. On the date of settlement cheques/ drafts and securities are exchanged as per the delivery order. The clearinghouse makes the payment and delivers the security certificates to the members on the payout day. Each broker settles the account with every client by taking delivery or giving delivery of securities certificates and receipts or payment of cheques.

➔ONLINE TRADING

Online trading in shares and securities has already been started in India. It has been made possible due to introduction of demat. ICICI Web Trade, HDFC Securities, Stock Holding Corporation of India and many other institutions have started the online trading system. The investors can carry out buying and selling of securities while sitting in the house or office. Internet connection is required for this purpose. The investors have to open an account with these institutions that provide online trading. There are three accounts opened into one place, Demat Account, Bank Account and Online Trading Account. A password is given to each investor who is secret. Investors can carry out buying and selling securities at BSE and NSE during normal trading hours. The settlement is done automatically with the program of the computer. Margin Trading, Options and Futures Trading are also possible in this method.

✓ HOW TO TRADE ONLINE

1. Log on to the Broker's website.
2. Register yourself as a client.
3. Fill in the client broker agreement on stamp paper.
4. Log on the broker's site using secure user ID and password.
5. The market watch page shows real time data.
6. Trade shares directly by entering the symbol of securities.
7. The broker's server will check the limit on-line and the demat account for the number of shares execute the trade.
8. Usually the order is executive in about 20 seconds and you get the confirmation.
9. The broker will send one e-mail confirmation and printed contract by mail.
10. On the settlement day the demat and bank accounts will automatically get debited and credited.

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✓ BENEFITS OF ONLINE TRADING

Online trading offers the investors the following benefits:

1. REACH

The reach of online trading spans to all areas where internet connectivity is available.

2. EMPOWERMENT

Since all decision-making is with the investor, with sufficient and relevant information on his stocks, the investor is empowered to take decisions based on his own judgment.

3. CONVENIENCE

The share broking account integrates with the investors banking, broking and the share depository accounts. This enables the investor to trade in shares without going through the hassles of tracking settlement cycles, writing cheques and transfer instructions, and chasing brokers for refund cheques.

4. SPEED

The speed of executing the transaction is more as compared to a phone-based trade.

5. CONTROL

With online trading, the investor can be assured of the execution of the transaction placed, thereby having complete control over the trades.

➔ SETTLEMENT

The clearing and settlement mechanism in Indian securities market has witnessed significant changes and several innovations during the last decade. These include use of the state-of-art information technology, emergence of clearing corporations to assume counterparty risk, shorter settlement cycle, dematerialization and electronic transfer of securities, fine-tuned risk management system, etc., though many of these are yet to permeate the whole market.

In order to bring settlement efficiency and reduce settlement risk, in 1989, the group of 30 had recommended that all secondary markets across the globe should adopt a rolling settlement cycle on T+3 basis by 1992, ie., the trades should be settled by delivery of securities and payment of monies within three business days after the trade day. But in India, due to multiple problems faced by the secondary market like the open out cry system, wide geographical coverage, settlement of securities in physical form, inadequate banking and depository infrastructure, India could not implement the G30 recommendations within the stipulated time frame. In 1999, rolling settlements were introduced in select scrips on a T+5 basis, which had got an effect from December 2001.

After successful implementation of rolling settlement on T+5 basis, SEBI moved the settlement to T+3 basis with effect from April 2002. To carry the reforms further in this area, the Indian equity market has reduced the settlement cycle to T+2 basis w.e.f. 1st April, 2003. The main advantage of this T+1 settlement cycle is that as the trades spread across all trading days, this reduces undue concentration of payment of monies and delivery of securities on a single day. As the settlement is spread across evenly, it results in efficiency utilization of infrastructure and system capacity. In addition, trades are guaranteed by the National Clearing Corporation. India Ltd. (NSCCL), and Bank of India

Shareholding Ltd. (BOISL), Clearing Corporation Houses of NSE and BSE respectively. The main functions of Clearing Corporation are to work out:

(a) What counterparties owe and

(b) Why counterparties are due to receive on the settlement date.

Furthermore, each exchange has a Settlement Guarantee Fund to meet with any unpredictable situation. The Clearing Corporation of the exchanges assumes the counterparty risk of each member and guarantees settlement through a fine-tuned risk management system and an innovative method of online position monitoring. It also ensures the financial settlement of trades on the appointed day and time irrespective of default by members to deliver the required funds and/or securities with the help of a settlement guarantee fund.

➔ INTERMEDARIES IN SECONDARY MARKET

1. STOCK BROKER

A Stock Broker plays a very important role in the secondary market helping both the seller and the buyer of the securities to enter in to a transaction. The buyer and seller may be either a broker or a client. A broker is an intermediary who arranges to buy and sell securities on behalf of clients (the buyer and the seller). They get commission on these transactions. About one fourth of the members of the stock exchange are specialist known as market makers.

According to Rule 2 (e) of SEBI (StockBrokers and Sub-Brokers) Rules, 1992, a stockbroker means a member of a recognized stock exchange. No stockbroker is allowed to buy, sell or deal in securities, unless he or she holds a certificate of registration granted by SEBI. A stockbroker shall not buy, sell, and deal in securities, unless he holds a certificate granted by SEBI.

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2. SUB BROKERS

A sub-broker is a person who intermediates between investors and stockbrokers. He acts on behalf of a stockbroker as an agent or otherwise for assisting the investors for buying, selling or dealing in securities through such stockbroker. No sub-broker is allowed to buy, sell, or deal in securities, unless he or she holds a certificate of registration granted by SEBI. A sub-broker may take the form of a sole proprietorship, a partnership firm or a company. Stockbrokers of the recognized stock exchanges are permitted to transact with sub-brokers. He is also known as **Remiseres.**

3. CUSTODIAN

Custodian of Securities means any person who carries on or proposes to carry on the business of providing custodial services. Custodial Services in relation to securities means safekeeping of securities of a client and providing services incidental thereto, and includes-

1. Maintaining accounts of securities of a client;
2. Collecting the benefits or rights accruing to the client in respect of securities;
3. Keeping the client informed of the actions taken or to be taken by the issuer of securities, having a bearing on the benefits or rights accruing to the client; and
4. Maintaining and reconciling records of the services.

4. JOBBER

A jobber is a specialist and independent dealer in securities. A jobber has to give two quotations as a dealer in securities. He gives lower quotation for buying and higher quotation for selling the securities. Jobber deals only with the brokers and not with the investors. His margin is fixed by competition among themselves as dealers. The margin is narrow when there is keen competition. Every year, a member of the stock exchange has to decide and declare in advance whether he proposes to act as a jobber or a broker. Each jobber specializes in a certain group of securities. He ensures that the transactions are carried out smoothly and promptly. The double quotation of jobber assures fair-trading to investors.

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5. TARANIWALA

A jobber who makes an orderly and continues auction in the stock market is called Taraniwala. He is a localized dealer who handles transactions on a commission basis for other brokers who act on behalf of their customers. He trades in the stock market even for small differences in price and helps to maintain liquidity in the stock market.

6. ODD LOT DEALER

These are specialists who handle the odd lots. The standard trading unit for listed stock is called 'lot'. The shares are normally traded in the lots of 5, 50, 100 etc. However, the minimum lot has become 1 due to dematerialization. But all the listed stocks are not compulsorily in the demat form. Odd lot dealers buy odd lots, which other members wish to sell for their customers and sell odd lots which others, want to buy. The price of odd lots is determined by the round lot transactions. The odd lot dealer earns his profit on the difference between the purchase and sales price.

7. ARBITRAGEUR

An arbitrageur is a specialist in dealing with securities in different stock exchange centers at the same time. He makes the profit by difference in the prices prevailing in different centers of market activity. He carries out these transactions with a good communication system and telephonic and tele-printer facility. He should have ability to get the prices from different centers before other members trading in the stock market.

8. SECURITY DEALER

The members who purchase and sale government securities on the stock exchange are known as Security Dealers. Each transaction has to be separately negotiated. The dealers should have information about the several kinds of government securities. They take risk in ready purchase and sale of securities for current requirements. Their role is restricted by the participation of LIC and Commercial Banks.

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9. DEPOSITORIES

A depository is an entity where the securities of an investor are held in electronic form. The person who holds a demat account is a beneficiary owner. In case of a joint account, the account holders will be beneficiary holders of that joint account. Depositories help in the settlement of the dematerialized securities. Each custodian/clearing member is required to maintain a clearing pool account with the depositories. He is required to make available the required securities in the designated account on settlement day.

10. PORTFOLIO MANAGERS

A Portfolio Manager is a professional with experience and expertise in the field. He studies the market and adjusts the investment mix for his client on a continuing basis to ensure safety of investment and reasonable returns there from. Any person who pursuant to a contract or arrangement with a client, advises or directs or undertakes on behalf of the client whether as a discretionary portfolio manager or otherwise the management or administration of a portfolio of securities or the funds of the client, as the case may be is a portfolio manager.

11. STOCK EXCHANGES

A stock exchange or securities exchange is a marketplace where stocks offered for sale are listed and exchanged. Typically, the exchange is made up of a Board of Governors generally selected by the members, which is chosen to represent the interests of seat holders. The Board then employees an executive officer, to manage the Exchange. The Exchange usually assigns a number of seats to brokers.

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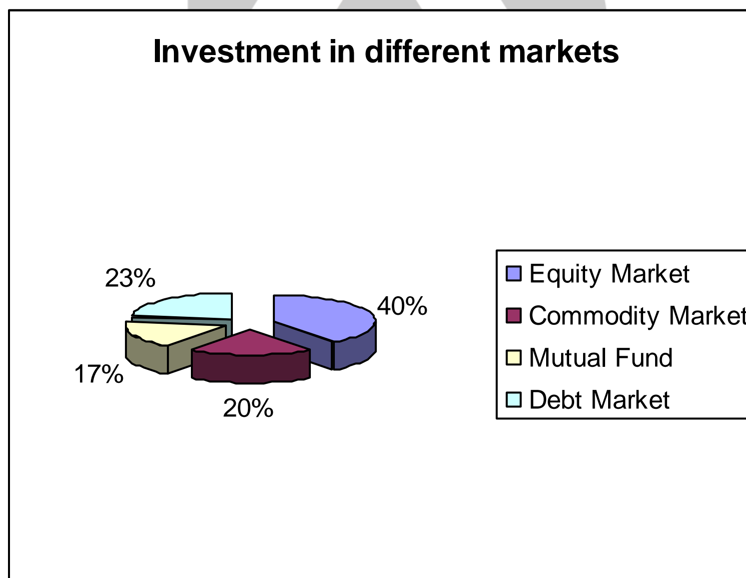
[3.2] PRESENTATION AND INTERPRETATION OF DATA:-

A survey of 30 traders is conducted in Apollo sindhoori and data collected from the survey is as follow:-

Q1. Where do you invest your money?

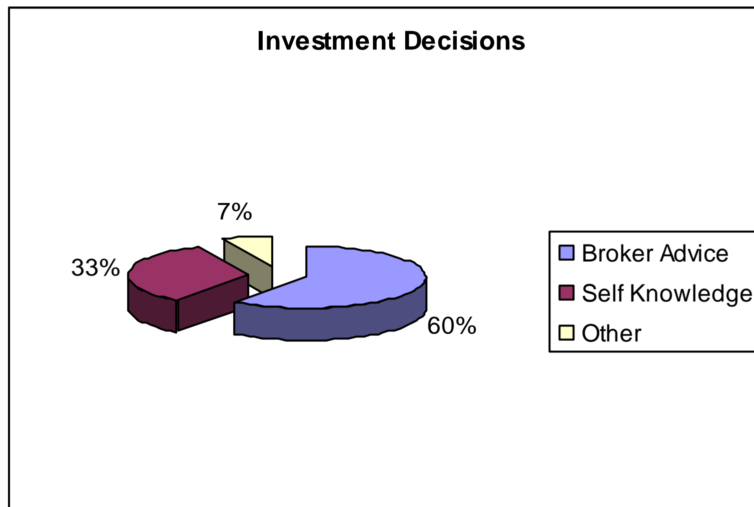
Equity Market	12
Commodity Market	6
Mutual Fund	5
Debt Market	7



From the above chart it is understood that 40% of people are interested to invest in Equity market, 23% in debt market, 20% in commodity market, and 17% in mutual funds. Different traders are having different perceptions related to the investment in different markets so as to earn more and more profit.

Q2. How will you decide a company for investment?

Broker Advice	18
Self Knowledge	10
Other	2



From the above chart it is understand that 60% of traders take advice of brokers for the investments, 33% of traders do investment on the basis of their self knowledge, and remaining 7% take advice from others. But most of the traders refer advice of brokers because the brokers are having a good knowledge and watch on the market.

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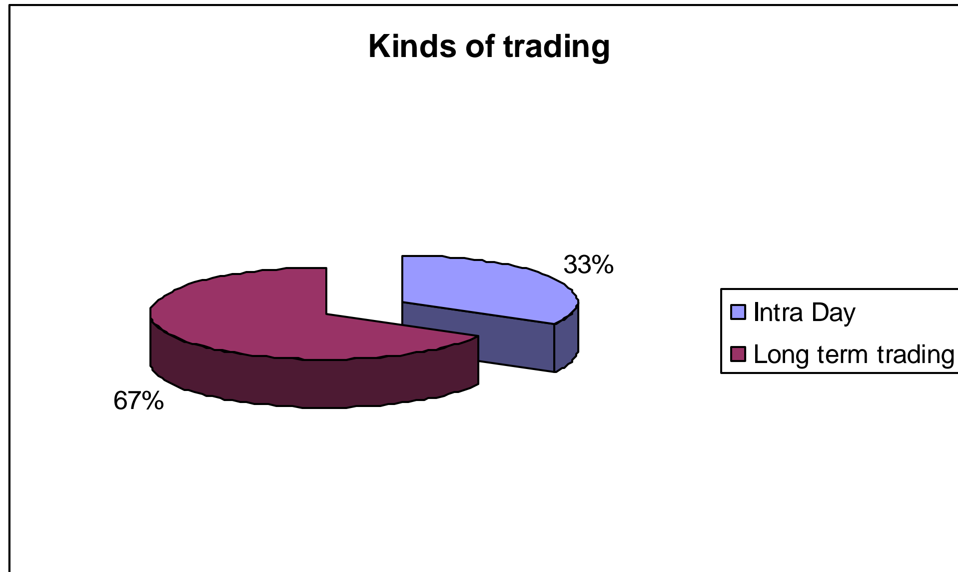
Q3.What kind of trading you does?

Intra Day	10
Long term trading	20



From the above chart it is understood that 67% traders use to do long term trading and 33% traders do intra day trading. 67% prefer long term trading because there is a chance of more and good profit and the another reason for long term trading is that the people are so busy in their works that they are not getting time for the day to day trading.

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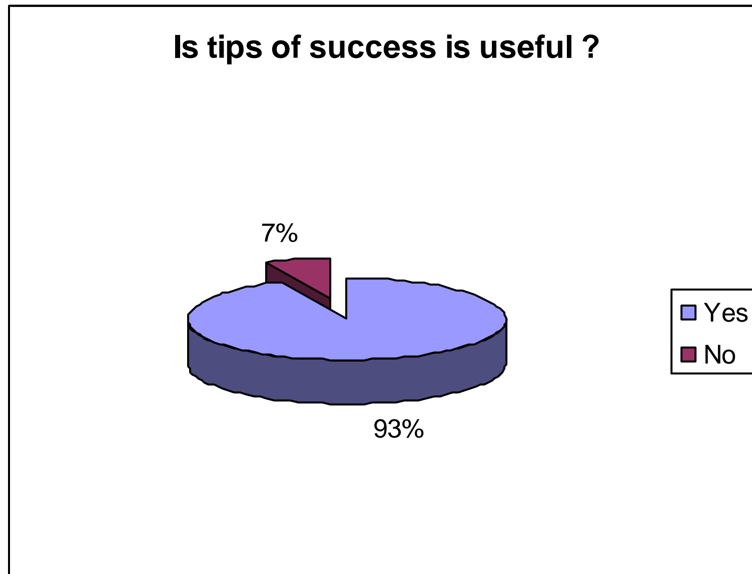
Q4. Is the research of tips of success ratio useful and satisfactory?

Yes	28
No	2



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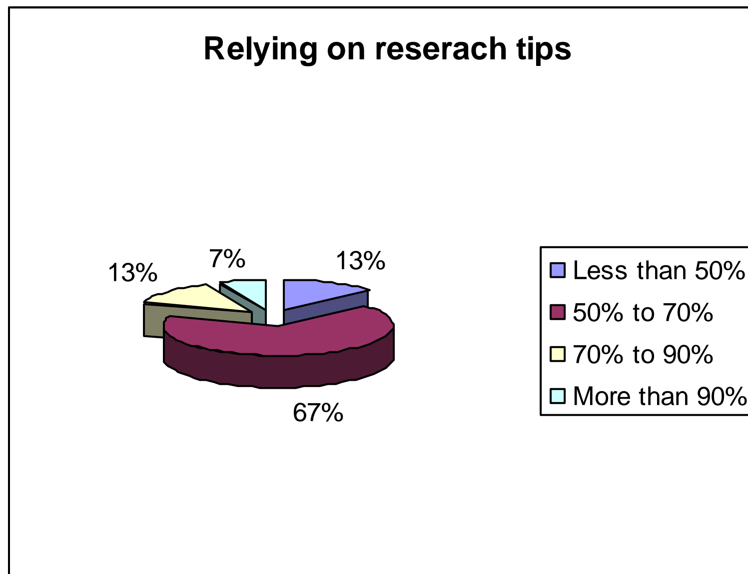
From the above chart it is understood that the research of tips of success ratio is satisfactory for 93% traders as they are getting complete knowledge about the happenings in the market and remaining 7% are not satisfied because according to them the research is not correct every time.

Q5. Relying on research of tips of success ratio trading calls?

Less than 50%	4
50% to 70%	20
70% to 90%	4
More than 90%	2



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From the above chart it is understood that 65% of trader are relying on the tips less than 50% , 20% are rely between 50% to 70%, 10% of them rely 70% to 90%,and remaining 5% rely more then 90%.

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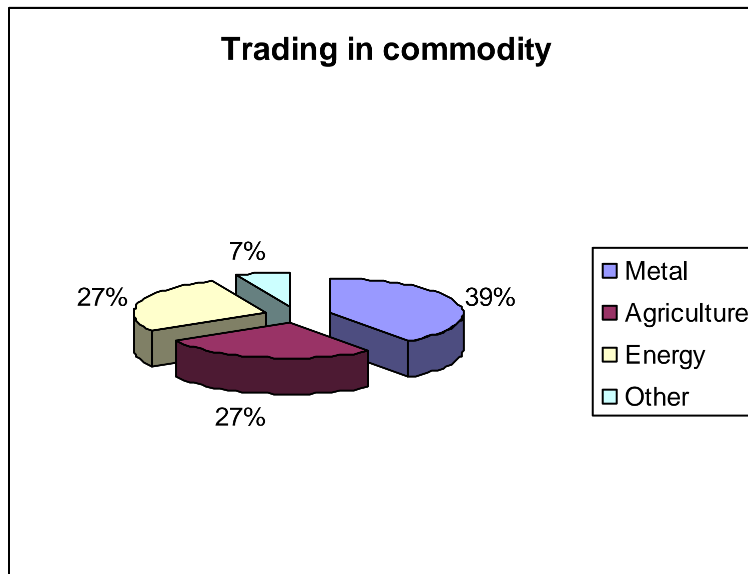
Q6.In which commodities do you trade?

Metal	12
Agriculture	8
Energy	8
Other	2



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From the above chart it is understood that 39% of traders use to do trading in metal, 27% of them trade in agriculture, other 27% in energy and the remaining in others.

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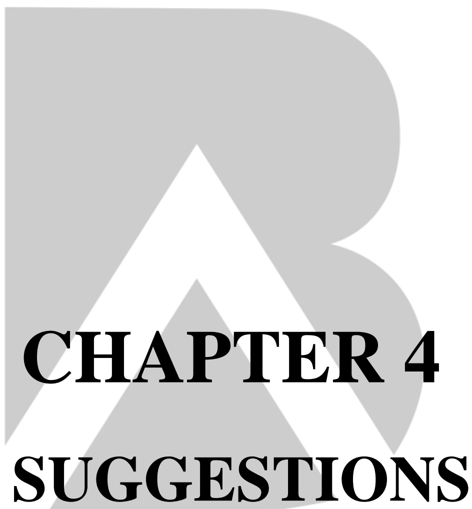

CHAPTER 4

SUGGESTIONS

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SUGGESTIONS

- Don’t invest in unlisted shares.
- When investing go for long term investment.
- Collect the information about the market because information plays an important role in the movement of share price.
- Don’t speculate in the stock market.
- Invest in active shares.
- When investing go for long term investment.
- Invest in different share not in single share, always diversify your investment.

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CHAPTER: 5

CONCLUSION

CONCLUSION

Equity capital is a high risk-high reward, permanent source of long term finance for corporate enterprises and short term earning for shareholders. The investors, who desire to share the risk, return and control associated with ownership of companies would invest in equity capital.

Today, the Indian Equity Market is one of the most technologically developed in the world and is on par with other developed markets abroad. The introduction of on-line trading system, dematerialization, ban of the badla system, and introduction of rolling settlement have facilitated quick trading and settlements which lead to larger volumes. The setting up of the National Stock Exchange of India Limited has revolutionized the face of the stock market. NSE is the only stock exchange which covers majority equity investments every day.

Also equity capital market encourages capital formation in the country. The specific factor, which influences equity market, is the investor's sentiment towards the stock market as a whole. So investor first has to analyze and invest and not speculate in shares. The introduction of online trading has given a much-needed impetus to the Indian equity markets. In this technological world things are needed to move at a faster pace, and with the introduction of METHODS OF MARKETING SECURITIES IN THE EQUITY MARKET, the stock exchange has expanded its business at a tremendous speed.

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According to economic times, the research states the major reason behind the irregularities of market (up and down in sale and purchase, price of share) is mainly because of FORECASTING MIND SET OF EQUITY INVESTORS. So, the stock exchanges must disregards the emotional component of trading by making investors decisions based upon chart formations, assuming that prices reflect both facts and emotion. And also by creating the awareness of fundamental analysis (Fundamental analysis is a method of finding out the future price of a stock, which an investor wishes to buy) among the investors to avoid the irregularities while trading.

So to increase the volume of equity investment, the stock exchanges should strive to increase transparency, strictly enforce corporate governance norms, provide more value-added services to investors, and take steps to increase investor confidence. These stock exchanges will have to plan strategic tie-ups with their foreign counterparts to get an international platform. A developed and vibrant secondary market can be an engine for the revival and growth of the primary market. So, to encourage Indian investment and face international competition every Indian stock exchange has to stress on innovation and sustained investment in technology to remain ahead.

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CHAPTER: 6
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