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Best Stock Markets School

International School of Financial Market

Equity Market Module

A graphic advertisement for 'Career in Stock Market'. It features a 3D bar chart with six bars of increasing height, colored red, orange, yellow, green, and dark green. To the right of the chart is a large, solid red arrow pointing upwards. The text 'Career In Stock Market' is written in large, bold letters, with 'Career In' in red and 'Stock Market' in blue. The ISFM logo is in the top right corner of the graphic. At the bottom, the website 'www.isfm.co.in' is written in large blue letters.

**Career In
Stock Market**

www.isfm.co.in

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1. Introduction

a. What is a primary market?

Generally, the personal savings of the entrepreneur along with contributions from friends and relatives are pooled in to start new business ventures or to expand existing ones.

However, this may not be feasible in the case of capital intensive or large projects as the entrepreneur (promoter) may not be able to bring in his share of contribution (equity), which may be sizable, even after availing term loan from Financial Institutions/Banks. Thus availability of capital is a major constraint for the setting up or expanding ventures on a large scale.

Instead of depending upon a limited pool of savings of a small circle of friends and relatives, the promoter has the option of raising money from the public across the country/world by issuing shares of the company. For this purpose, the promoter can invite investment to his or her venture by issuing offer document which gives full details about track record, the company, the nature of the project, the business model, etc.

If the investor is comfortable with this proposed venture, he may invest and thus become a shareholder of the company. Through aggregation, even small amounts available with a very large number of individuals translate into usable capital for corporates. Primary market is a market wherein corporates issue new securities for raising funds generally for long term capital requirement.

The companies that issue their shares are called issuers and the process of issuing shares to public is known as public issue. This entire process involves various intermediaries like Merchant Banker, Bankers to the Issue, Underwriters, and Registrars to the Issue etc .. All these intermediaries are registered with SEBI and are required to abide by the prescribed norms to protect the investor.

The Primary Market is, hence, the market that provides a channel for the issuance of new securities by issuers (Government companies or corporates) to raise capital. The securities (financial instruments) may be issued at face value, or at a discount / premium in various forms such as equity, debt etc. They may be issued in the domestic and / or international market.

Features of primary markets include:

- the securities are issued by the company directly to the investors.
- The company receives the money and issues new securities to the investors.
- The primary markets are used by companies for the purpose of setting up new ventures/ business or for expanding or modernizing the existing business
- Primary market performs the crucial function of facilitating capital formation in the economy

b. How does it work?

Preparation and Filing of Offer Document:

- i. A company wanting to raise capital from the public is required to prepare an **offer document** giving sufficient information and disclosures, which enables (potential) investors to make an informed decision. Accordingly, the offer document is required to contain details about the company, its promoters, the project, financial details, objects of raising the money, terms of the issue etc. '**How to read the offer document**' is dealt in the section 'How to apply in public issue'.
- ii. The issuer company engages a SEBI registered **merchant banker** to prepare the offer document. Besides, due diligence in preparing the offer document, the merchant banker is also responsible for ensuring legal compliance. The merchant banker facilitates the issue in reaching the prospective investors (marketing the issue).
- iii. The **draft offer document** thus prepared is **filed with SEBI** and is made available on SEBI's website (http://www.sebi.gov.in/SectIndex.jsp?sub_sec_id=70) along with its status of processing (<http://www.sebi.gov.in/PMDDData.html>). Company is also required to make a public announcement about the filing English, Hindi and in regional language newspapers. In case, investors notice any wrong / incomplete / lack of information in the offer document, they may send their representation / complaint to the merchant banker and / or to SEBI.
- iv. The Indian regulatory framework is based on a disclosure regime. SEBI reviews the draft offer document and may issue observations on the draft offer document with a view to ensure that adequate disclosures are made by the issuer company/merchant bankers in the offer document to enable the investor to make an informed investment decision in the issue. It must be clearly understood that SEBI does not "vet" and "approve" the offer document.
- v. SEBI's observations on the draft offer document are forwarded to the merchant banker, who incorporates the necessary changes and files the **final offer document** with SEBI, Registrar of Companies (ROC) **and stock exchange(s)**. This is made available on websites of the merchant banker, stock exchange(s) and SEBI.

Opening of the Issue:

- vi. After completing legal formalities, the issuer company issues advertisements in English, Hindi and regional language news papers and the **issue is open** to public for subscription.
- vii. If the prospective investor is interested in subscribing to the shares of the issuer company based on what is disclosed in the offer document, he can apply for its shares (or debentures) before the issue closes, by duly filling up the application form and making the payment. '**How to apply invest in (public) issues**', is covered separately.

- viii. The entire back office operation of the public issue, including processing of application forms, despatch of refunds, allotment of securities, is handled by the **Registrar to the Issue (RTI)** on behalf of the issuer company.
- ix. It is to be noted that only one application per PAN is allowed in any issue. If investor makes more than one application, all the applications are liable to be rejected. The RTI matches applicant's name in the application form and verifies it against the PAN, demat account details (DP ID and Demat A/c No) and also weeds out duplicate applications.

Allotment and Listing:

- x. The **issue then closes** (investor cannot apply beyond the closing date) and the shares are allotted to the applicants proportionally or on lottery basis, if there is oversubscription. The merchant banker and RTI finalize the '**basis of allotment**'. This is approved by the stock exchange officials and the basis of allotment is made available in the website of the RTI. The issuer company issues advertisements in English, Hindi and regional language news papers about the issue price and basis of allotment.

PROCEDURE OF ALLOTMENT

ACB Company Ltd. is offering shares 10 crore shares @ ₹ 600 per share to the public. The minimum **amount**, for which allotment can be made, is required to be in the range of ₹ 5,000 – 7,000. Accordingly, the minimum application size for this issue works out to 9 shares (₹ 600 X 9 = ₹ 5,400). Therefore, application can be made for a minimum of 9 shares or in multiples thereof.

| Item | Number of shares offered | Subscription received for (number of shares) |
|---|--------------------------|--|
| Total | 10.00 crore | 40.00 crore (4 times) |
| • out of which, offered to retail investors | 3.50 crore | 28.87 crore (8.25 times) |

Assume there are three retail individual investors A, B & C who have applied for 81, 72 and 45 shares respectively. Allotment is done to each investor in proportion to the number of times of subscription. In this case as the subscription is 8.25 times the allotment for each investor is $1/8.25^{\text{th}}$ of the number of shares applied for as given in table below:

| Sr. No. | Name of retail investor | Number of shares applied for (A) | Number of shares eligible to be allotted (A / 8.25) | Shares allotted after rounding off |
|---------|-------------------------|----------------------------------|---|------------------------------------|
| 1 | A | 81 | $81 / 8.25 = 9.82$ shares | 10 |

| | | | | |
|---|---|----|---------------------------|--|
| 2 | B | 72 | $72 / 8.25 = 8.73$ shares | 9 (i.e. minimum application size). |
| 3 | C | 45 | $45 / 8.25 = 5.45$ shares | The successful applicants out of the total applicants shall be determined by drawing lots. Allotment would be 9 shares |

- xi. Upon allotment, investor will receive **demat credit within 12 days**. The **despatch of refund cheques**, instructions for unblocking amount in bank account (for ASBA) and instructions for **electronic credits of refund** money, is given by the RTI within 12 days of the close of the issue. ASBA is dealt in the section 'How to apply in public issue'.
- xii. The shares of the company are then **listed on the stock exchange** within 12 working days of the close of the issue. **Listing of shares** (or debentures) in stock exchange enables the investor to buy securities from or sell securities to other investors (**secondary market**).
- xiii. The complete contact details of all the intermediaries involved in an issue namely merchant banker, RTI, banker to the issue etc. are available in the offer document. In case the investor needs any clarification they can contact them.

Different types of issues

- i. **Public issue:** When a company raises funds by selling (issuing) its shares (or debenture / bonds) to the public through issue of offer document (prospectus), it is called a public issue.
 - 1) **Initial Public Offer:** When a (unlisted) company makes a public issue for the first time and gets its shares listed on stock exchange, the public issue is called as initial public offer (**IPO**).
 - 2) **Further public offer:** When a listed company makes another public issue to raise capital, it is called further public / follow-on offer (**FPO**).
- ii. **Offer for sale:** Institutional investors like venture funds, private equity funds etc., invest in unlisted company when it is very small or at an early stage. Subsequently, when the company becomes large, these investors sell their shares to the public, through issue of offer document and the company's shares are listed in stock exchange. This is called as **offer for sale**. The proceeds of this issue go to the existing investors and not to the company.
- iii. **Issue of Indian Depository Receipts (IDR):** A foreign company which is listed in stock exchange abroad can raise money from Indian investors by selling (issuing) shares. These shares are held in trust by a foreign custodian bank against which a domestic custodian bank issues an instrument called Indian depository receipts (**IDR**), denominated in ₹. IDR can be traded in stock exchange like any other shares and the holder is entitled to rights of ownership including receiving dividend.

iv. **Others:**

- 1) **Rights issue (RI):** When a company raises funds from its existing shareholders by selling (issuing) them new shares / debentures, it is called as **rights issue**. The offer document for a rights issue is called as the **Letter of Offer** and the issue is kept open for 30-60 days.

Existing shareholders are entitled to apply for new shares in proportion to the number of shares already held. Illustratively, in a rights issue of 1:5 ratio, the investors have the right to subscribe to one (new) share of the company for every 5 shares held by the investor.

- 2) In a **Bonus Issue**, the company issues new shares to its existing shareholders. As the new shares are issued out of the company's reserves (accumulated profits), shareholders need not pay any money to the company for receiving the new shares.

The net worth (owner's money) of a company consist of its equity capital and its reserves. After a bonus issue, there is an increase in the equity capital of the company with a corresponding decrease in the reserves, while the net worth remains constant. In a bonus issue of 5:1 ratio, the investor will receive five new shares of the company for each share the investor held as illustrated below.

| ABC company | Before bonus issue | After (1:5) bonus issue |
|-------------------------------------|---------------------------|--------------------------------|
| Number of shares issued | 100 | 600 (100+500) |
| Equity capital (Face value of ₹ 10) | ₹ 1,000 | ₹ 6,000 (1,000+5,000) |
| Reserves (accumulated profits) | ₹ 10,000 | ₹ 5,000 (10,000-5000) |
| Net worth | ₹ 11,000 | ₹ 11,000 |

d. Pricing of (public) issues

On the basis of pricing, issues can be classified into Book Built issues and Fixed Price issues. We shall focus on the book built issues as most of the issues nowadays are through this method.

- i. In a **Book Building issue** the issuer company mentions the minimum and maximum price (**price band**) at which it will sell (issue) its shares. Thus the offer document (in this case, called the **Red Herring Prospectus**) contains only the price band instead of the price at which its shares are offered to the public.

Within this price band the investor can choose the price at which the investor are willing to buy the shares and also the quantity. As this process is similar to bidding in an auction, the application form for book built issue is also known as the **bid form**.

At times the issuer may revise the price band (**revision of price band**) which has to be accompanied with news paper advertisement.

Bids by various investors are entered into the stock exchange system through the broker's (also called **syndicate member**) terminal. The list of the bid received from investors at various price bands is known as the '**book**' and can be seen in the website(s) of the stock exchange for each investor category.

Based on the total demand in the 'book', the **cut off price** is then decided by the issuer and merchant banker. The cut off price is the price at which the cumulative demand for shares, equals or exceeds the offer size. Illustratively, the cut off price of a public issue of 1,000 shares with a price band of ` 100 to 120, would be arrived as follows

| Number of shares bid | Cumulative number of shares bid | Bid price (₹) | Shares allotted |
|----------------------|---------------------------------|---------------|-----------------|
| 0 | 0 | 120 | 0 |
| 300 | 300 | 119 | 300 |
| 450 | 750 | 117 | 450 |
| 550 | 1,300 | 114 | 250 |
| 200 | 1,500 | 112 | 0 |
| 0 | 1,500 | 110 | 0 |
| Cut off price | | ₹ 114 | Total 1,000 |

All investors who applied (bid) for shares at or above the cut off price will be allotted shares at the cut off price (**issue price**), proportionately.

If the investment is less than ₹ 200,000 (**retail investor**), the investor have the option of bidding at the cut off price by ticking the **cut-off option** in the application form.

After the allotment, a public advertisement is issued, giving details of the issue price as well as a table showing the number of securities and the amount payable by successful bidders.

The merchant banker in a book built public issue is known as **Book Running Lead Managers (BRLM)** and the issues is kept open for 3-7 working days, and is extendable by 3 days in case of a revision in the price band by the issuer.

- ii. In a **Fixed Price Issue** the company raising funds decides the price at which it will sell (issue) its shares to the public and the same is printed in the Offer Document. This issue is kept open for 3-10 working days.

2. How to invest in (public) issue?

a. The pre-requisites

- (i) The investor need to have Permanent Account Number (**PAN**) issued by the Income Tax Department and quote the same in the application form. However, the investor are not required to attach photocopy of PAN along with the application form.
- (ii) Bank account
- (iii) Shares or debentures allotted in a public issue will be credited to the investor's account in electronic form. For this the investor need to have a **demat account** and the investor need to fill up the correct 16 digit demat account number in the application form.

1. How to obtain prerequisites

- (i) **Obtaining PAN:** The website of Tax Information Network of Income Tax Department provides on-line application for PAN. The web link for the same is
 - <http://www.tin-nsdl.com/> > PAN
 - or
 - <https://tin.tin.nsdl.com/pan/index.html>

The investor can submit his application and make payment on line or off line and forward physically copies of the required documents [proof of identity, proof of residence, photograph and demand draft (if the payment is off line)] to the address mentioned therein.

- (ii) **Opening Demat account:** Just as money is kept in bank account, shares and debentures can be kept in electronic form in a demat account by an entity called **Depository**.

For opening a demat account, the investor has to approach a **Depository Participant (DP)**, an agent of Depository, and fill up an account opening form. The list of DPs is available in the websites of **Depositories** at the following web links:

- <http://www.cdslindia.com/> > publication > dplist
- <http://www.cdslindia.com/publication/dplist.jsp>

- <https://nsdl.co.in/> > Advanced Search – DP Search – Service Centers
https://nsdl.co.in/direct_search.php

Along with the account opening form, the investor must enclose the any one of the following document for proof of identity and proof of address as under.

| No. | Documents for proof of identity | Documents for proof of address |
|-----|--|---|
| 1 | Passport | |
| 2 | Voter ID Card | |
| 3 | Driving license | |
| 4 | Identity card / document with applicant's Photo, issued by a. Central / State Government and its Departments b. Statutory / Regulatory Authorities c. Public Sector Undertakings d. Scheduled Commercial Banks e. Public Financial Institutions f. Colleges affiliated to Universities g. Professional Bodies such as ICAI, ICWAI, ICSI, Bar Council etc., to their Members and; h. Credit cards / Debit cards issued by banks | |
| 5 | PAN card with photograph | Bank Passbook |
| 6 | - | Ration Card |
| 7 | - | Verified copies of a) Electricity bills (not more than 2 months old) b) Residence Telephone bills (not more than 2 months old) and c) Lease and License agreement / Agreement for sale |
| 8 | - | Self-declaration by High Court and Supreme Court judges, giving the new address in respect of their own accounts |

The investor has to produce the original documents, including PAN card, for verification by the DP at the time of account opening.

The investor will have to enter into an agreement with DP in the standard format, which gives details of rights and duties of investor and DP. The investors are entitled to receive a copy of the agreement and schedule of charges for future reference.

The DP will open then account and give the investor a 16 digit demat account number (8 digit DP ID and 8 digit Client ID). All purchase / investment in securities will be added (credited) to this account. Upon sale of securities, the demat account will be reduced (debited).

The tariff / charges of DPs are available in the websites of the Depositories at the following web links.

- CDSL: <http://www.cdslindia.com/whatsnew/dpineasi.jsp> or <http://www.cdslindia.com/> > Quick Link - List of CDSL DPs
- NSDL: <https://nsdl.co.in/about/dps.php> or <https://nsdl.co.in/> > Joining NSDL > As an Investor > Charges

The investor should remember to update its bank account number, postal address etc. of the demat account, as investor will receive refund credits / cheques of public issues as per the details mentioned in the demat account

b. Getting the offer document

The offer documents of public issues are available on the websites of merchant banker and stock exchange. It is also available in the website of SEBI under 'Offer Documents' section (http://www.sebi.gov.in/SectIndex.jsp?sub_sec_id=72).

The investor can obtain hard copy of the offer document from SEBI upon payment of ` 100 through Demand Draft made in favor of Securities & Exchange Board of India or obtain it from the issuer company at its registered office or from the merchant banker.

The **abridged prospectus** contains all the salient features of the offer document and is available along with the issue application form.

How to read the offer document – Refer to page no. 15

Box 3: IPO Grading – Refer to page no. 19

Credit Rating –Refer to page no. 21

c. Getting the application form

Application forms are available with stock brokers (syndicate members), collection centers, Registrar to the issue (RTI) and with the bankers to the issue.

ASBA (Application Supported by Blocked Amount) application forms are available with designated branches of the Self Certified Syndicate Bank (**SCSB**), stock brokers (syndicate members) or from the website(s) of Stock Exchange(s).

ASBA (Application Supported by Blocked Amount) the smart choice

ASBA is an application containing an authorization to block the application money in the bank account, for subscribing to an equity issue. The investor can avail **ASBA** facility for making payment in a public issue instead of making payment through cheque. For this the investors have to submit the simple ASBA application form to the designated bank branch (Self Certified Syndicate Bank, **SCSB**).

If the investor has, say, ₹ 30,000 in the savings bank account and if the investor applies through ASBA for shares worth say, ₹ 20,000, then ₹ 20,000 will be '**blocked**' in the investor account till allotment of shares. If the investor is allotted, say, shares worth ₹ 18,000, then an amount of ₹ 18,000 is debited from bank account and transferred to the issuer company and the balance of ₹ 2,000 is '**unblocked**'.

While all the time the entire amount of ₹ 30,000 is in your bank account, **earning interest**. The shares allotted are credited into the demat account within 12 days of the close of the issue.

ASBA forms will be treated similar to the non-ASBA forms while finalizing the basis of allotment

In case there are any complaints regarding ASBA applications, investors may approach the concerned SCSB who is required to reply within 15 days. In case, investor is not satisfied, he may write to SEBI.

d. How to fill the application form

(i) General:

You can make up to 3 bids in the **same** application form in book built issues. Alternatively, you can choose to bid at the 'cut off' option, if your investment amount is less than ₹ 200,000. Above that amount, you will not be treated as a retail investor and you will be in the category of '**non institutional investor**'. However, you can submit only one application per issue.

Fill the application in BLOCK LETTERS in English and give the following

| S.No | Normal | ASBA |
|------|---|---|
| 1 | Status of applicant: (Individual / HUF) | |
| 2 | Name of the applicant(s) | |
| 3 | Age of the bidder (in case of joint holders , age of first applicant) | |
| 4 | Depository Participant Name | |
| 5 | DP ID | |
| 6 | Category of Investor: (Retail) | |
| 7 | Payment details: (Cheque / DD Number, Bank Name) | Bank account number, Bank branch details |
| 8 | Check Refund Option, if covered under 68 centers* prescribed by RBI and IFSC code of Bank | Signing the undertaking authorizing to mark a lien of funds by the bank |
| 9 | PAN Number | |
| 10 | Signature of applicant | |
| 11 | - | Signature of Bank account holder, if different from applicant |

* Available in the offer document and RBI web site (<http://rbidocs.rbi.org.in/rdocs/ECS/PDFs/I87908.pdf>)

Fill the form legibly without any crossing, corrections and over writing. Please strike off the non applicable fields in the application form. Always mention the application form number on the reverse of the draft / cheque.

Remember to update your bank account number, postal address etc. mentioned in your demat account as you will receive refund credits / cheques as per the details mentioned in your demat account.

- (ii) **ASBA** application form:
You can avail ASBA facility even if you do not hold account with SCSB. For this your ASBA application has to be signed by the account holder.
- (iii) If you have bank account with SCSB, you can apply online if the bank offers internet banking facility.

Grounds for rejections: (even after filling all the above fields)

- Applications made by partnership firms, minors
- Payment made by postal order / money order / cash / stock invest
- Bids made below minimum lot or not in multiples of lot prescribed in the offer document
 - When there is a difference in the Names of the holder(s), DP ID, Client ID provided in the application and details available with Depository
- Multiple applications
- Names of the joint holders are not in the same order as details available with Depository
- Inactive demat account
- Applications, which do not bear stamp of the syndicate member (incase of normal application)
- Inadequate funds in the bank account
- Outstation Cheques / Drafts drawn on the banks not participating in the clearing process

e. Submitting the application form

The application form and **the offer document** have the full contact details of where you can submit the filled up forms.

Ensure that you submit the application well within the closing date and time specified.

- (i) Submit the ASBA application forms to the designate branch of the SCSB/ Syndicate member and collect Transaction Registration Slip (**TRS**) / acknowledgement.
- (ii) Submit non ASBA application forms to the stock broker (syndicate member) along with a cheque for the payment and obtain acknowledgement (date stamping on the counterfoil).
- (iii) Retain the acknowledgement till allotment / refund is complete as it is crucial evidence in case of any complaint.

f. **Checking the demand for the book built issue at any point of time**

The status of bidding in a book built issue is available on the website(s) of stock exchange(s) on a consolidated basis. The data is also available investor category wise.

g. **Revision of bids**

You can revise both the price and the quantity of your bid(s) within the price band, till the issue closing date. For this use the revision form available along with the application form and submit it to the same broker / SCSB. Remember to collect the revised TRS.

h. **Withdrawal of Bids**

You can withdraw your bid till the closure of the issue by approaching syndicate member/ SCSB.

After closure of the issue, you can withdraw your bid till the finalization of the basis of allotment by making a written application to the RTI.

i. **Allotment of shares**

Shares will be allotted to you and credited to your demat account within 12 days of the close of the issue.

In the case of bonds/ debentures, the timeline for allotment is 30 days of the close of the issue.

j. **Refund of money**

- (i) If you have applied through ASBA, the money in your bank account is blocked to the extent of your proposed investment and it continues to remain there, earning interest. Upon allotment, value of the shares allotted to you is debited from your bank account. In case of partial allotment the balance amount gets unblocked and there is no refund.

The RTI issues instruction for debit or unblocking of your account within 12 days of the close of the issue.

- (ii) In case of application through cheque / demand draft, the refund would be through

a. Electronic mode:

- i. Direct credit to your bank account, if you have bank account with the refund banker(s)
- ii. through ECS (Electronic Clearing Service), if you have account in one of the centers specified by RBI. The list of such centers is available in the in the offer document and RBI web site (<http://rbidocs.rbi.org.in/rdocs/ECS/PDFs/I87908.pdf>)
- iii. You will receive intimation from the RTI about the credit

b. Physical refund warrants / cheques:

- i. through under certificate of posting (UCP) if the refund amount is up to ` 1,500.
- ii. through speed post / registered post, if the refund amount is above ` 1,500.

- (iii) The RTI issues instruction for electronic credit and sends you intimation of the same within 12 days of the close of the issue. The RTI despatches the refund cheques within 12 days of the close of the issue.

To receive refund, you are required to ensure that you bank details including MICR code (a 9 digit code which appears in the cheque leaf) is maintained and updated with the DP along with your postal address.

k. Interest for delay in allotment / refund

You are eligible to receive interest @ 15% p.a. upon delay in allotment / refund beyond the prescribed period.

l. Any other requirement

Peruse the post issue advertisements issued by the company for the issue price and the basis of allotment.

m. Listing of the shares

Equity shares are listed on the stock exchange for trading within 12 days of closure of the issue.

n. Grievance redressal (non receipt of shares, delay in refund etc.)

In case of any grievance in a public issue, you can approach the compliance officer of the issuer, whose name and contact details are mentioned on the cover page of the Offer Document.

SEBI also facilitates redressal of investor's grievances. Accordingly, you can also address your complaints to SEBI through

- E-mail (investorcomplaints@sebi.gov.in).
- Visit SEBI Office (s)
- Letter to SEBI
- Lodge online complaint at the web link given below
<http://investor.sebi.gov.in/complaints%20form/lodge%20index.htm>

Contact details & Jurisdiction of SEBI's Offices:

SEBI BHAVAN

Plot No.C4-A,G - Block, Bandra Kurla Complex,
Bandra (East), Mumbai 400051

Tel: +91-22-26449000 / 40459000 / 9114

Fax: +91-22-26449016-20 / 40459016-20

E-mail: sebi@sebi.gov.in

(Maharashtra, Madhya Pradesh, Chhatisgarh, Goa, Diu, Daman and Dadra & Nagar Haveli)

How to Read Offer Document

The offer documents lists out the facts, details and promise of the issuer company. It is very important to read it before deciding on whether or not to investing in an issue. The different sections in the offer document and their contents are as under.

Cover Page

You will find the following information in the cover page:

- full contact details of the issuer company
- full contact details of the lead managers and registrar to the issue,
- Details of the issue
 - nature of the instrument
 - number of security offered
 - price of the security
 - amount of instrument offered
 - and issue size
- proposed listing details
- Credit Rating / IPO Grading
- Risks in relation to the first issue, etc.

Risk Factors

Under this head the management of the issuer company gives its view on the Internal and external risks envisaged by the company and the proposals, if any, to address such risks. This information is disclosed in the initial pages of the document and also in the abridged prospectus. **The investor should read the risk factors before taking investment decision.**

Introduction

The following information / details are available in this section.

- A summary of the industry in which the issuer company operates
- The brief details of the business of the issuer company
- Summary of consolidated financial statements and other data on general information about the issuer company
- The details of merchant bankers and their responsibilities
- The details of brokers (syndicate members) to the Issue
- In case of debt issue
 - credit rating
 - details of debenture trustees
- details of monitoring agency for issue size exceeding Rs.500 cr
- Book building process in brief
- IPO Grading in case of first Issue of equity capital
- Details of underwriting Agreements

- Details of capital structure
 - objects of the offer
 - funds requirement
 - funding plan
 - schedule of implementation
 - funds deployed
 - sources of financing of funds already deployed
 - sources of financing for the balance fund requirement
 - interim use of funds
- Basic terms of issue
- Basis for issue price
- Tax benefits

About us

The following information / details are available in this section.

- Details of the business of the company
- Business strategy
- Competitive strengths
- Insurance
- Industry-regulation (if applicable)
- History
- Corporate structure
 - main objects
 - subsidiary details
 - management and board of directors
 - compensation
 - corporate governance
- Related party transactions
- Exchange rates & currency of presentation
- Dividend policy

Financial Statements

Under this head Summary Restated Financial Statements for the last five financial statements and stub period are disclosed which includes Balance Sheet, Profit and Loss Account, Cash Flow Statement, Notes to accounts, financial ratios, Related Party Disclosures etc

Legal and other information

The following information / disclosures are available in this section.

- Details of litigations involving
 - the company
 - the promoters of the company
 - its subsidiaries
 - and group companies

- Material developments since the last balance sheet date
- Government approvals / licensing arrangements
- Investment approvals (Foreign investment Promotion Board/ Reserve Bank of India etc.)
- Technical approvals
- Indebtedness

Other regulatory and statutory disclosures

The following disclosures are available in this section.

- Authority for the Issue
- Prohibition by SEBI
- Eligibility of the company to enter the capital market
- Disclaimer statement by the issuer and the lead manager
- Disclaimer in respect of jurisdiction
- Distribution of information to investors
- Disclaimer clause of the stock exchanges
- Listing
- Impersonation
- Minimum subscription
- Letters of allotment or refund orders
- Consents
- Expert opinion
- Changes in the auditors in the last 3 years
- Expenses of the issue
 - fees payable to the intermediaries involved in the issue process
 - details of all the previous issues
 - all outstanding instruments
 - commission and brokerage on previous issues
- Capitalization of reserves or profits
- Option to subscribe in the issue
- Purchase of property
- Revaluation of assets
- Classes of shares
- Stock market data for equity shares of the company,
- Promise vis-à-vis performance in the past issues
- Mechanism for redressal of investor grievances

Offering information

The following information / details are available in this section.

- Terms of the Issue
- Mode of payment of dividend
- Face value and issue price
- Rights of the equity shareholder,

- Market lot
- Nomination facility to investor
- Issue procedure
 - book building procedure in details
 - process of making an application
- Signing of underwriting agreement
- Filing of prospectus with SEBI / Registrar of Companies (ROC)
- Announcement of statutory advertisement
 - Issuance of confirmation of allocation note ("can")
 - allotment in the issue
 - designated date
- general instructions
 - instructions for completing the bid form
 - payment instructions
 - submission of bid form
 - other instructions
- Disposal of application and application moneys
- Interest on refund of excess bid amount
- Basis of allotment or allocation
- Method of proportionate allotment
- Despatch of refund orders
- Communications
- Undertaking by the company
- Utilization of issue proceeds
- Restrictions on foreign ownership of Indian securities

Other Information:

- Main provision of Articles of Association
- Declaration about the truth and fairness by Board of Directors, Company Secretary and Compliance Officer.
- Material contracts and document placed for inspections.

IPO Grading

1. What is IPO grading

IPO grading is the professional assessment of a Credit Rating Agency (CRAs) on the fundamentals of a company in relation to the other listed equity shares in India. **It is mandatory for the issuer company coming with initial public offer (IPO) to obtain IPO grading from a Credit Rating Agency and disclose the same on the cover page of offer document and Application form.**

IPO grading endeavors to provide the investor with an informed, objective independent and unbiased opinion of a CRA after analyzing various relevant factors. It is an additional input available for your investment decision.

An IPO grade is NOT a suggestion or recommendation as to whether an investor should subscribe to the IPO or not. IPO grade needs to be read together with the disclosures made in the offer document including the risk factors as well as the price at which the shares are being offered.

IPO grade does not take into account the price of the shares being offered. Therefore, the investors need to make an independent judgment regarding the price of the investment.

2. Factors considered in grading

The indicative list of areas that are generally looked into by the CRA while arriving at an IPO grade includes:

- Business Prospects and Competitive Position
 - Industry Prospects
 - Company Prospects
- Financial Position
- Management Quality
- Corporate Governance Practices
- Compliance and Litigation History
- New Projects—Risks and Prospects

The IPO grading process may vary on a case to case basis.

3. The grades

The grades are allocated on a 5 point scale, the lowest being Grade 1 and highest Grade 5. Such grading is generally assigned on a five point scale with a higher score indicating stronger fundamentals and vice versa as below.

IPO grade 1: Poor fundamentals

IPO grade 2: Below average fundamentals

IPO grade 3: Average fundamentals

IPO grade 4: Above average fundamentals
IPO grade 5: Strong fundamentals

4. **Where is it available?**

The IPO grades obtained by a company along with a description of the grades can be found in the

- Offer document
- Abridged prospectus
- Issue advertisement
- any other place where the issuer is advertising its issue
- CRA's letter to the issuer, containing the detailed rationale for assigning the particular grade, which is available for inspection at the registered office of the company and on the websites of stock exchanges where it is proposed to be listed.

5. **SEBI's role in IPO grading**

CRA, which assign IPO grades are regulated by SEBI. However, SEBI does not pass any judgment on the quality of the issuer company. SEBI's observations on the offer document are entirely independent of the IPO grading process or the grades received by the company.

Credit Rating

1. What is credit rating

Credit rating is an opinion of a Credit Rating Agency (**CRA**) on the likelihood of timely payment of interest and principal (credit risk) on the rated debt instrument. It is an unbiased, objective, and independent assessment of the issuer's capacity to meet its financial obligations and is conveyed with alphanumeric symbols.

Credit rating is not a recommendation to buy, sell or hold a debt instrument. It is a comment on the probability of the interest and principal of a debt instrument being paid or not paid on time (credit risk). Rating is an additional input; however investors are required to make their own independent and objective analysis before arriving at an investment decision.

2. How is it done?

Each credit rating agency has its own set of criteria and different weight age for each component for assigning the ratings. The indicative list of factors that are taken into consideration for credit rating are issuer company's operational efficiency, its strengths and weakness, level of technological development, financials, competence and effectiveness of management, past record of debt servicing, etc. The issuer pays for the credit rating.

3. The credit rating symbols and their meanings

Each rating symbol is an alphanumeric representation of the degree of repayment risk associated with debt instruments.

| Symbol* (Rating category) | Description (with regard to the likelihood of meeting the debt obligations on time) |
|------------------------------|---|
| AAA | Highest Safety |
| AA | High Safety |
| A | Adequate Safety |
| BBB | Moderate Safety |
| BB | Inadequate Safety |
| B | High Risk |
| C | Substantial Risk |
| D | Default |

* Indicative

Depending on the type of debt instrument that is rated (long term, short term or fixed deposits), rating symbols vary. The debt instruments rated 'BBB' and above are classified as investment grade ratings. An investment grade rating signifies the rating agency's belief that the rated instrument is likely to meet its payment obligations. Instruments that are rated 'BB' and below are classified as speculative grade category ratings in which case the ability to meet the payment obligations is considered to be "speculative". Instruments rated in the speculative

grade are considered to carry materially higher risk and a higher probability of default compared to instruments rated in the investment grade.

Within a rating category, “+” and “-” symbols are used to indicate finer distinctions. Illustratively, ratings in a higher rating category such as ‘AA-’ is stronger than ratings in a lower rating category such as ‘A+’.

4. From where can the credit ratings of instruments be obtained?

Credit ratings assigned by to various instruments are made available by the CRA through press releases and on their respective websites. The same are also available in the offer document of the issuer company and in media advertisements.

The list of CRA’s in India and their websites are as under

| No. | Name of CRA | Website |
|-----|--|---|
| 1 | CRISIL Ltd. | www.crisil.com |
| 2 | Fitch Ratings India Private Ltd. | http://www.fitchindia.com |
| 3 | ICRA Ltd. | www.icra.in |
| 4 | Credit Analysis & Research Ltd. (CARE) | www.careratings.com |
| 5 | Brickwork Ratings India Pvt Ltd. | http://www.brickworkratings.com |

5. Subsequent change in rating

Rating is an opinion based on information available at a point in time with the CRA. However, information can change significantly over time causing the issuer company’s performance to deviate from the earlier expectations thereby affecting the future repayment abilities and thus, requiring the rating to be altered.

CRA are required to continuously monitor the rating of debt instrument till its maturity and carry out periodic reviews of all published ratings. In case of any changes in the ratings so assigned, the agencies are required to disclose the same through press releases and on their respective websites.

A downgrade in the rating indicates that the risk of the instrument is higher than what was earlier predicted.

6. What kind of responsibility or accountability will attach to a rating agency if an investor, who makes his investment decision on the basis of its rating, incurs a loss on the investment?

A credit rating is a professional opinion given after studying all available information at a particular point of time. Nevertheless, such opinions may prove wrong in the context of subsequent events. There is no contract between an investor and a rating agency and the investor is free to accept or reject the opinion of the agency.

It is advisable that the investor should also do his own risk analysis apart from relying on ratings while making investments.

7. SEBI's role

CRAs are registered and regulated by SEBI. However, SEBI does not play any role in the assessment made by the rating agency. The rating is an independent professional opinion of the CRA.

3. Investor protection Measures

SEBI has issued ICDR (Issue of Capital and Disclosure Requirements) Regulations with a view to protect the interest of investors. These regulations provides for disclosure of material information including risk factors to enable the investors to take an informed investment decision. An investor is expected to invest after going through the offer documents which contain risk factors.

Additionally, there are stringent entry norms for issuer companies seeking to access markets, lock in of promoters' shares and also requirement of a monitoring agency for issues exceeding Rs.500 cr in size. There are also provisions for a safety net (wherein shares are purchased by Lead manager /selected persons from retail investors after listing at the issue price) and or green shoe option (wherein price stabilization is envisaged post listing). Regular disclosures need to be made to the stock exchanges regarding funds mobilized in the public issue.

4. Message to investors

DOS

- ✓ Take a holistic view of your financial goals and invest accordingly
- ✓ Be aware that value of your investments is subject to ups and downs of the market. They do not offer guaranteed returns like bank deposits
- ✓ Read the Offer Document (**OD**) before investing and carefully note:
 - Risk factors pertaining to the issue
 - Financials of the issuer
 - Object of the issue
 - Outstanding litigations and defaults, if any
 - IPO Grading / Credit rating
 - Basis of issue price
 - Business Overview
 - Background of promoters
 - Instructions before making application
- ✓ Be aware that
 - The OD is available on the website(s) of SEBI, Issuer and Stock Exchange(s)

- Physical copy of the OD may be obtained from SEBI or from Merchant Banker (**MB**) or the issuer
 - Abridged OD is available along with the issue application form
- ✓ Be aware that an intermediary or its staff making a recommendation, is required to disclose their interest/ position in that issue
- ✓ Use Application Supported by Blocked Amount (**ASBA**) for equity issues - the smart choice
 - Avail ASBA application forms from website(s) of Stock Exchange(s) and submit it to Self Certified Syndicate Bank (SCSB)
 - Submit application electronically if you have internet banking facility with SCSBs
 - Be aware that you can make up to 5 ASBA applications per bank account per issue
- ✓ Fill the application in BLOCK LETTERS in English
- ✓ Peruse the status of the 'book' on the Stock Exchange website(s)
- ✓ In case of any doubt / grievance, contact the Compliance Officer / MB named in the OD
 - Be aware that listed companies, Registrar to the Issue (**RTI**) and MBs are required to have a dedicated Email ID for registering your complaints
- ✓ Be aware that investor complaints against listed companies are displayed on the websites of Stock Exchange (**SE**)
- ✓ Approach SEBI, if your grievance is not resolved
- ✓ Peruse the post issue advertisements issued by the company for issue price and basis of allotment

DON'TS

- ✗ Do not invest with borrowed money
- ✗ Do not expect unrealistic / guaranteed returns
- ✗ Do not invest without reading the OD
- ✗ Do not be influenced by advertisement / advices / rumours / unauthentic news promising unrealistic gains and windfall profits in mass media
- ✗ Do not be guided by astrological predictions on share prices and market movements
- ✗ Do not fall prey to market rumours / 'hot tips'/ 'opportunity knocks only once' kind of advice
- ✗ Do not be swayed by market sentiments
- ✗ Do not invest on any explicit / implicit promises made by anyone
- ✗ Do not indulge in impulse investing
- ✗ Do not participate in unauthorised and illegal trades outside the stock exchange mechanism prior to listing (grey market)
- ✗ Do not give wrong / contradictory / incomplete information in the application form
- ✗ Do not submit multiple applications
- ✗ Do not mutilate the application form

- ✗ Do not pay application money by postal order / money order / cash
- ✗ Do not send the application form by post
- ✗ Do not speculate on high returns upon listing
- ✗ Do not engage in practices that distort demand / prices artificially

RIGHTS

- ✓ To offer comments, if any, on the draft OD available on the websites of MB / Stock Exchange / SEBI and have them addressed in the (final) OD filed with Registrar Of Companies / Stock Exchange
- ✓ To revise / change your bid before its closure
- ✓ To withdraw your application, before the allotment
 - In case of ASBA application
 - up to the bid closure period by writing to the SCSB
 - after closure of issue by writing to the RTI
 - In case of normal application
 - by writing to the RTI
- ✓ To receive in equity issue(s)
 - allotment and demat credit within 12 working days of its closure
 - refund within 15 days of its closure
- ✓ To receive allotment / refund within 30 days of closure of debt issue(s)
- ✓ To receive refund through ECS / NEFT / RTGS, wherever such facility is available
- ✓ To receive interest @ 15% p.a. upon delay in allotment / refund beyond the aforesaid period
- ✓ In case of issue of debt securities:
 - To receive credit of debt securities into the demat a/c within 2 working days of allotment

RESPONSIBILITIES

- ✓ To offer comments, if any, on the draft OD available on the websites of MB / Stock Exchange / SEBI
- ✓ Read the OD, understand the risks properly and then make your investment decision
- ✓ Invest only after carefully analyzing the suitability in the context of your financial goals and risk taking capacity
- ✓ While filling up the application form:
 - To give complete information
 - To fill it legibly without any crossing / corrections / over writing
 - To ensure that the name(s) and signature(s) match with that of the demat account and that they are in the same order
 - To furnish all the documents sought
 - To strike off the non applicable fields
 - To mention the application form number on the reverse of the draft / cheque

- To recheck the information provided including
 1. 16 digit demat account number
 2. PAN
 3. Bank account details
- Collect acknowledgement for your application from Syndicate member
- ✓ If using ASBA:
 - Use specified application form for ASBA
 - If applicant is different from account holder, ensure ASBA application is signed by account holder and applicant
 - Submit the application forms to SCSB/Syndicate member within closing date and specified closing time
 - Collect Transaction Registration Slip (**TRS**) / acknowledgement from SCSB / Syndicate member
 - Collect revised TRS in case of revision of bids
- ✓ Peruse reports issued by the Company on utilisation of issue proceeds

Introduction – Indian Financial System

Efficient transfer of resources from those having idle resources to others who have a pressing need for them is achieved through financial markets. Stated formally, Financial Markets provide channels for allocation of savings to investment. The financial markets, thus, contribute to economic development to the extent that the latter depends on the rates of savings and Investment

The Financial Markets have two major components:

Money Market

Capital Market

| Indian Financial System | | | | | | | | | |
|-------------------------|-----------------------|---|-----------|-------------------|-------------------|------------------|-------------|------------------|------------------------------|
| Money Market | Capital Market | | | | | | | | Financial Statement Analysis |
| | Non Securities Market | | | Securities Market | | | | | |
| | Mutual Funds | Fixed Deposits, Bank Deposits, Provident Funds, Small Savings | Insurance | Primary Market | | Secondary Market | | | |
| IPO's | | | | Book Building | Private Placement | Equity Market | Debt Market | Commodity Market | Futures & Options Markets |

Share

In simple Words, a **share or stock** is a document issued by a company, which entitles its holder to be one of the owners of the company. A share is issued by a company or can be purchased from the stock market.

By owning a share you can earn a portion and **selling shares** you get capital gain. So, your return is the dividend plus the capital gain. However, you also run a risk of making a capital loss if you have sold the **share** at a price below your buying price.

A **company's stock price** reflects what investors think about the stock, not necessarily what the company is "worth." For example, companies that are growing quickly often trade at a higher price than the company might currently be "worth." Stock prices are also affected by all forms of company and market news. Publicly traded companies are required to report quarterly on their financial status and earnings. Market forces and general investor opinions can also affect share price.

Quick Facts on Stocks and Shares

- Owning a stock or a share means you are a partial owner of the company, and you get voting rights in certain company issues
- Over the long run, stocks have historically averaged about 10% annual returns. However, stocks offer no guarantee of any returns and can lose value, even in the long run
- Investments in stocks can generate returns through dividends, even if the price

How does one trade in shares?

Every transaction in the **stock exchange** is carried out through licensed members called brokers.

To trade in shares, you have to approach a broker. However, since most **stock exchange brokers** deal in very high volumes, they generally do not entertain small investors. These **brokers have a network of sub-brokers** who provide them with orders.

Demat Account Definition

Demat refers to a **dematerialised account**.

Though the company is under obligation to offer the securities in both physical and **demat mode**, you have the choice to receive the securities in either mode.

If you wish to have securities in **demat mode**, you need to indicate the name of the depository and also of the **depository participant** with whom you have depository account in your application.

It is, however **desirable** that you hold securities in **demat form** as physical securities carry the risk of being fake, forged or stolen.

Just as you have to open an account with a bank if you want to save your money, make cheque payments etc, Nowadays, you need to **open a demat account if you want to buy or sell stocks**.

HOW TO OPEN A DEMAT ACCOUNT ?

Opening an individual Demat account is a two-step process: You approach a DP and fill up the Demat account-opening booklet. The Web sites of the NSDL and the CDSL list the approved DPs. You will then receive an account number and a DP ID number for the account. Quote both the numbers in all future correspondence with your DPs.

So it is just like a bank account where actual money is replaced by **shares**. You have to approach the **DPs** (remember, they are like bank branches), to open your **demat account**. Let's say your portfolio of shares looks like this: 150 of Infosys, 50 of Wipro, 200 of HLL and 100 of ACC. All these will show in your **demat account**. So you don't have to possess any physical certificates showing that you own these shares. **They are all held electronically in your account**. As you **buy and sell the shares**, they are adjusted in your account. Just like a **bank passbook or statement**, the DP will provide you with periodic statements of holdings and transactions.

Is a demat account a must? Nowadays, practically all trades have to be settled in dematerialised form. Although the market regulator, the Securities and Exchange Board of India (SEBI), has allowed trades of upto 500 shares to be settled in physical form, nobody wants physical shares any more.

So a **demat account is a must** for trading and investing.

Most **banks** are also **DP participants**, as are many brokers.

You can choose your very own DP.

To get a list, visit the [NSDL](#) and [CDSL](#) websites and see who the registered DPs are.

A broker is separate from a DP. A broker is a member of the **stock exchange**, who buys and sells shares on his behalf and on behalf of his clients.

A DP will just give you an account to hold those shares.

You do not have to take the same DP that your broker takes. You can choose your own.

DEMAT ACCOUNT OPENING COST AND OTHER CHARGES

Annual maintenance fee: This is also known as folio maintenance charges, and is generally levied in advance.

Custodian fee: This fee is charged monthly and depends on the number of securities (international securities identification numbers – ISIN) held in the account. It generally ranges between Rs. 0.5 to Rs. 1 per ISIN per month.

DPs will not charge custody fee for ISIN on which the companies have paid one-time custody charges to the depository.

Transaction fee: The transaction fee is charged for crediting/debiting securities to and from the account on a monthly basis. While some DPs, such as SBI, charge a flat fee per transaction, HDFC Bank and ICICI Bank peg the fee to the transaction value, subject to a minimum amount.

The fee also differs based on the kind of transaction (buying or selling). Some DPs charge only for debiting the securities while others charge for both. The DPs also charge if your instruction to buy/sell fails or is rejected.

In addition, service tax is also charged by the DPs.

Online Stock Trading is a recent way of buying and selling stocks. Now you can buy and sell any stock over the Internet for a low price and you don't need to call up a broker.

'Recognised Stock Exchange' means a stock exchange, which is for the time being recognised by the Central Government under Section 4 of the SC(R)A.

'Stock Exchange' means –

- (a) any body of individuals, whether incorporated or not, constituted before corporatisation and demutualization under sections 4A and 4B, or
- (b) a body corporate incorporated under the Companies Act, 1956 (1 of 1956) whether under a scheme of corporatisation and demutualization or otherwise, for the purpose of assisting, regulating or controlling the business of buying, selling or dealing in securities.

TRADING

1.1 INTRODUCTION

The trading on stock exchanges in India used to take place through open outcry without use of information technology for immediate matching or recording of trades. This was time consuming and inefficient. This imposed limits on trading volumes and efficiency. In order to provide efficiency, liquidity and transparency, NSE introduced a nation-wide on-line fully automated screen based trading system (SBTS) where a member can punch into the computer quantities of securities and the prices at which he likes to transact and the transaction is executed as soon as it finds a matching sale or buy order from a counter party.

The trading system operates on a strict price time priority.

MARKET TYPES

Normal Market

Normal market consists of various book types wherein orders are segregated as Regular Lot Orders, Special Term Orders, Negotiated Trade Orders and Stop Loss Orders depending on their order attributes.

Odd Lot Market

The odd lot market facility is used for the Limited Physical Market.

Retdebt Market

Basket Trading

The purpose of Basket Trading is to provide NEAT users with a facility to create offline order entry file for a selected portfolio.

Full Message Display

This option enables the display of all the system messages right from the start of the Opening Phase.

Colour Selection

The user can customise the colours for various inquiry and other trader workstation screens as per choice. The background and the foreground colours can be selected by invoking the Colour Selection option.

Print System Messages On/Off

The 'Print System Messages ON/OFF' enables/disables printing of the system messages as and when they appear in the messages window.

Market Movement

The purpose of the Market Movement screen is to provide information to the User regarding the movement of a security for the current day.

Most Active Securities

This screen displays the details of the most active securities based on the total traded value during the day.

Order Limits

Order limits is a facility to enable the user to specify maximum value per order and maximum quantity per order that can be entered from the trader workstation.

Order Attribute Selection

The order attribute selection enables user to set default parameters for two fields – PRO/CLI and Custodial Participant id fields in the order entry screens.

Reprint Order/Trade Confirmation Slips

Although the order and trade slips for 'confirmation', 'modification', 'rejection' and 'cancellation' slips can be printed as and when a particular operation is performed. However, the user can reprint these slips later during the trading day by using this option.

Branch Order Value Limit Setup

The purpose of this screen is to enable corporate manager to setup a limit on order entry for each branch under the trading member firm.

Circuit Breakers

The Exchange has implemented index-based market-wide circuit breakers in compulsory rolling settlement with effect from July 02, 2001. In addition to the circuit breakers, price bands are also applicable on individual securities. *Index-based Market-wide Circuit Breakers:* The index-based market-wide circuit breaker system applies at 3 stages of the index movement, either way viz. at 10%, 15% and 20%. These circuit breakers when triggered bring about a coordinated trading halt in all equity and equity derivative markets nationwide. The market-wide circuit breakers are triggered by movement of either the BSE Sensex or the NSE S&P CNX Nifty, whichever is breached earlier.

□□ In case of a 10% movement of either of these indices, there would be a one-hour market halt if the movement takes place before 1:00 p.m. In case the movement takes place at or after 1:00 p.m. but before 2:30 p.m. there would be trading halt for ½ hour. In case movement takes place at or after 2:30 p.m. there will be no trading halt at the 10% level and market shall continue trading.

□□ In case of a 15% movement of either index, there shall be a two-hour halt if the movement takes place before 1 p.m. If the 15% trigger is reached on or after 1:00 p.m., but before 2:00 p.m., there shall be a one-hour halt. If the 15% trigger is reached on or after 2:00 p.m. the trading shall halt for remainder of the day.

□□ In case of a 20% movement of the index, trading shall be halted for the remainder of the day.

Price Bands

Daily price bands are applicable on securities as below:

□□ Daily price bands of 2% (either way) on securities as specified by the Exchange.

- Daily price bands of 5% (either way) on securities as specified by the Exchange.
- Daily price bands of 10% (either way) on securities as specified by the Exchange.

Time Conditions

DAY: All orders entered into the system are presently considered as Day orders only.

IOC: An Immediate or Cancel (IOC) order allows the user to buy or sell a security as soon as the order is released into the system, failing which the order is cancelled from the system. Partial match is possible for the order, and the unmatched portion of the order is cancelled immediately.

Price Conditions

Market: Market orders are orders for which price is specified as 'MKT' at the time the order is entered. For such orders, the system determines the price. **Stop-Loss:** This facility allows the user to release an order into the system, after the market price of the security reaches or crosses a threshold price called trigger price. Example: If for stop loss buy order, the trigger is Rs.93.00, the limit price is Rs.95.00 and the market (last traded) price is Rs.90.00, then this order is released into the system once the market price reaches or exceeds Rs.93.00. This order is added to the regular lot book with time of triggering as the time stamp, as a limit order of Rs.95.00. All stop loss orders are kept in a separate book (stop loss book) in the system until they are triggered.

Trigger Price: Price at which an order gets triggered from the stop loss book.

Limit Price: Price of the orders after triggering from stop loss book.

Other Conditions

PRO/CLI: A user can enter orders on his own account or on behalf of clients. By default, the system assumes that the user is entering orders on the trading member's own account.

Matching Priority

The best sell order is the order with the lowest price and a best buy order is the order with the highest price. The unmatched orders are queued in the system by the following priority:

(a) **By Price:** A buy order with a higher price gets a higher priority and similarly, a sell order with a lower price gets a higher priority. E.g. Consider the following buy orders:

- 1) 100 shares @ Rs. 35 at time 9:30 a.m.
- 2) 500 shares @ Rs. 35.05 at time 9:43 a.m.

The second order price is greater than the first order price and therefore is the best buy order.

By Time: If there is more than one order at the same price, the order entered earlier gets a higher priority. E.g. consider the following sell orders:

1) 200 shares @ Rs. 72.75 at time 9:30 a.m.

2) 300 shares @ Rs. 72.75 at time 9:35 a.m.

Both orders have the same price but they were entered in the system at different time.

The first order was entered before the second order and therefore is the best sell order.

As and when valid orders are entered or received by the system, they are first numbered, time stamped and then scanned for a potential match. This means that each order has a distinctive order number and a unique time stamp on it. If a match is not found, then the orders are stored in the books as per the price/time priority. An active buy order matches with the best passive sell order if the price of the passive sell order is less than or equal to the price of the active buy order. Similarly, an active sell order matches with the best passive buy order if the price of the passive buy order is greater than or equal to the price of the active sell order.

CLEARING AND SETTLEMENT

2.1 INTRODUCTION

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, dematerialisation and electronic transfer of securities, fine-tuned risk management system.

T+2 rolling settlement has now been introduced for all securities. The members receive the funds/securities in accordance with the pay-in/pay-out schedules notified by the respective exchanges.

Two depositories are National Securities Depositories Ltd. (NSDL) and Central Depositories Services Ltd. (CDSL)

the securities are transferred on the pay-out day by the depository from the settlement account of the clearing agency to the pool accounts of members/custodians. The pay-in and pay-out of securities is effected on the same day for all settlements.

Select banks have been empanelled by clearing agency for electronic transfer of funds.

Pay-in of Funds and Securities: The members bring in their funds/securities to the NSCCL. They make available required securities in designated accounts with the depositories by the prescribed pay-in time. The depositories move the securities available in the accounts of members to the account of the NSCCL. Likewise members with funds obligations make available required funds in the designated accounts with clearing banks by the prescribed pay-in time. The NSCCL sends electronic instructions to the clearing banks to debit member's accounts to the extent of payment obligations. The banks process these instructions, debit accounts of members and credit accounts of the NSCCL.

Pay-out of Funds and Securities: After processing for shortages of funds/securities and arranging for movement of funds from surplus banks to deficit banks through RBI clearing, the NSCCL sends electronic instructions to the depositories/clearing banks to release pay-out of securities/funds. The depositories and clearing banks debit accounts of NSCCL and credit settlement accounts of members. Settlement is complete upon release of payout of funds and securities to custodians/members.

Settlement Agencies

The NSCCL, with the help of clearing members, custodians, clearing banks and depositories settles the trades executed on exchanges. The roles of each of these entities are explained below:

(a) *NSCCL:* The NSCCL is responsible for post-trade activities of a stock exchange. Clearing and settlement of trades and risk management are its central functions. It clears all trades, determines obligations of members, arranges for pay-in of funds/securities, receives funds/securities, processes for shortages in funds/securities, arranges for pay-out of funds/securities to members, guarantees settlement, and collects and maintains margins/collateral/base capital/other funds.

(b) *Clearing Members:* They are responsible for settling their obligations as determined by the NSCCL.

(c) *Custodians:* A custodian is a person who holds for safekeeping the documentary evidence of the title to property belonging like share certificates, etc.

Explanations:

- (1) Trade details from Exchange to NSCCL (real-time and end of day trade file).
- (2) NSCCL notifies the consummated trade details to CMs/custodians who affirm back. Based on the affirmation, NSCCL applies multilateral netting and determines obligations.
- (3) Download of obligation and pay-in advice of funds/securities.
- (4) Instructions to clearing banks to make funds available by pay-in time.
- (5) Instructions to depositories to make securities available by pay-intime.
- (6) Pay-in of securities (NSCCL advises depository to debit pool account of custodians/CMs and credit its account and depository does it).
- (7) Pay-in of funds (NSCCL advises Clearing Banks to debit account of custodians/CMs and credit its account and clearing bank does it).
- (8) Pay-out of securities (NSCCL advises depository to credit pool account of custodians/CMs and debit its account and depository does it).

(9) Pay-out of funds (NSCCL advises Clearing Banks to credit account of custodians/CMs and debit its account and clearing bank does it).

(10) Depository informs custodians/CMs through DPs.

(d) *Clearing Banks*: Clearing banks are a key link between the clearing members and NSCCL for funds settlement.

(e) *Depositories*: A depository is an entity where the securities of an investor are held in electronic form.

With effect from April 1, 2003 the settlement cycle has been further reduced from T+3 to T+2.

Activity Day

| | | | |
|----------|--|---------|------------------|
| Trading | Rolling Settlement | Trading | T |
| Clearing | Custodial Confirmation | | T+1 working days |
| | Delivery Generation | | T+1 working days |
| | Settlement Securities and Funds pay in | | T+2 working days |
| | Securities and Funds pay out | | T+2 working days |

RISK CONTAINMENT MEASURES

To safeguard the interest of the investors, NSE administers an effective market surveillance system to curb excessive volatility, detect and prevent price manipulation and follows a system of price bands.

Cash Equivalents: Cash, Bank Fixed Deposits with approved custodians, Bank Guarantees from approved banks, Government Securities with 10% haircut, Units of liquid mutual funds

Margins

Value at Risk Margin

VaR is a single number, which encapsulates whole information about the risk in a portfolio. It measures potential loss from an unlikely adverse event in a normal market environment. It involves using historical data on market prices and rates, the current portfolio positions, and models (e.g., option models, bond models) for pricing those positions.

Mark-to-Market Margin

Mark to market loss is calculated by marking each transaction in security to the closing price of the security at the end of trading.

No-delivery Period

Whenever a book closure or a record date is announced by a company, the exchange sets up a 'no-delivery period' for that security. During this period, trading is permitted in the security. However, these trades are settled only after the no-delivery period is over. This is done to ensure that the investor's entitlement for the corporate benefits is clearly determined.

INTERNATIONAL SECURITIES IDENTIFICATION NUMBER

SEBI being the National Numbering Agency for India has permitted NSDL to allot International Securities Identification Number (ISIN) for demat shares.

TRADING MEMBERSHIP

3.1 STOCK BROKERS

A broker is an intermediary who arranges to buy and sell securities on behalf of clients (the buyer and the seller).

According to Rule 2 (e) of SEBI (Stock Brokers and Sub-Brokers) Rules, 1992, a stockbroker means a member of a recognized stock exchange.

While considering the application of an entity for grant of registration as a stock broker, SEBI shall take into account the following namely, whether the stock broker applicant –

- a) is eligible to be admitted as a member of a stock exchange;
- b) has the necessary infrastructure like adequate office space, equipment and man power to effectively discharge his activities;
- c) has any past experience in the business of buying, selling or dealing in securities;
- d) is being subjected to any disciplinary proceedings under the rules, regulations and bye-laws of a stock exchange with respect to his business as a stock-broker involving either himself or any of his partners, directors or employees.

Unique Client Code

SEBI made it mandatory for all brokers to use unique client codes for all clients. Brokers shall collect and maintain in their back office the Permanent Account Number (PAN) allotted by Income Tax Department for all their clients.

Brokers shall verify the documents with respect to the unique code and retain a copy of the document.

Contract Note

Contract note is a confirmation of trade(s) done on a particular day for and on behalf of a client.

Brokerage

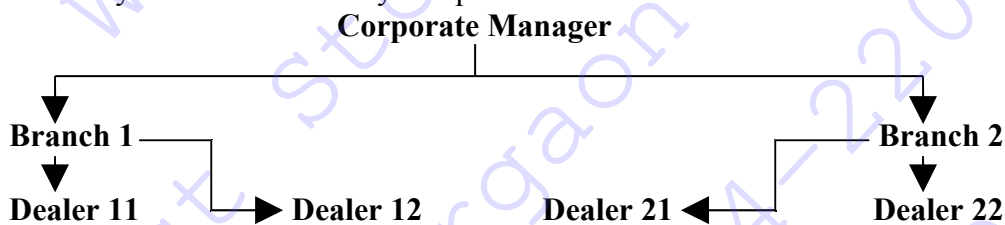
The maximum brokerage chargeable by TM in respect of trades effected in the securities admitted to dealing on the CM segment of the Exchange is fixed at 2.5% of the contract price, exclusive of statutory levies.

Sub-brokerage

Sub-broker is entitled to sub-brokerage not exceeding 1.5% of the transaction value.

CORPORATE HIERARCHY

The trading member has the facility of defining a hierarchy amongst its users of the NEAT system. This hierarchy comprises:



Functions of SEBI

SEBI has been obligated to protect the interests of the investors in securities and to promote and development of, and to regulate the securities market by such measures as it thinks fit. The measures referred to therein may provide for:-

- (a) regulating the business in stock exchanges and any other securities markets;
- (b) registering and regulating the working of stock brokers, sub-brokers, share transfer agents, bankers to an issue, trustees of trust deeds, registrars to an issue, merchant bankers, underwriters, portfolio managers, investment advisers and such other intermediaries who may be associated with securities markets in any manner;
- (c) registering and regulating the working of the depositories, participants, custodians of securities, foreign institutional investors, credit rating agencies and such other intermediaries as SEBI may, by notification, specify in this behalf;
- (d) registering and regulating the working of venture capital funds and collective investment schemes including mutual funds;
- (e) promoting and regulating self-regulatory organisations;
- (f) prohibiting fraudulent and unfair trade practices relating to securities markets;
- (g) promoting investors' education and training of intermediaries of securities markets;
- (h) prohibiting insider trading in securities;

- (i) regulating substantial acquisition of shares and take-over of companies;
- (j) calling for information from, undertaking inspection, conducting inquiries and audits of the stock exchanges, mutual funds, other persons associated with the securities market, intermediaries and self-regulatory organisations in the securities market;
- (k) calling for information and record from any bank or any other authority or board or corporation established or constituted by or under any Central, State or Provincial Act in respect of any transaction in securities which is under investigation or inquiry by the Board;
- (l) performing such functions and exercising according to Securities Contracts (Regulation) Act, 1956, as may be delegated to it by the Central Government;
- (m) levying fees or other charges for carrying out the purpose of this section;
- (n) conducting research for the above purposes;
- (o) calling from or furnishing to any such agencies, as may be specified by SEBI, such information as may be considered necessary by it for the efficient discharge of its functions;
- (p) performing such other functions as may be prescribed.

‘Insider’ means any person who, is or was connected with the company or is deemed to have been connected with the company, and who is reasonably expected to have access to unpublished price sensitive information in respect of securities of a company, or who has received or has had access to such unpublished price sensitive information.

What is NET ASSET VALUE ?

Value or purchase price of a share of stock in a mutual fund. **NAV** is calculated each day by taking the closing market value of all securities owned plus all other assets such as cash, subtracting all liabilities, then dividing the result (total net assets) by the total number of shares outstanding.

Calculating NAVs - Calculating mutual fund **net asset values** is easy. Simply take the current market value of the fund's net assets (securities held by the fund minus any liabilities) and divide by the number of shares outstanding. So if a fund had net assets of Rs.50 lakh and there are one lakh shares of the fund, then the price per share (or **NAV**) is Rs.50.00.

Different Kind of Investments

Life Insurance

Life Insurance policies are another kind of investment that is fairly popular. It is a way to ensure income for your family when you die. It allows you a sense of security and provides a valuable tax deduction.

Stocks

Stocks are a unique kind of investment because they allow you to take partial ownership in a company. Because of this, the returns are potentially bigger and they have a history of being a wise way to invest your money.

Bonds

A bond is basically a promise note from the government or a private company. You agree to give them a set amount of money as a loan and they keep it for a set number of years with a predetermined amount of interest. This is typically a safe bet and one that is a good investment for a first time investor because there is little risk of losing your money.

Mutual Funds

Mutual Funds are a kind of investment that are based on the gains and losses of a shareholder. Basically one person manages the money of several or many investors and invests in a list of various stocks to lessen the effect of any losses that may occur.

Money Market Funds

A good short-term investment. With this kind of investment you can earn interest as an independent shareholder.

Annuities

If you are interested in tax-deferred income, then annuities may be the right kind of investment for you. This is an agreement between you and the insurer. It works to produce income for you and protect your earning potential.

Real Estate

Real Estate is a tangible kind of investment. It includes your land and anything permanently attached to your piece of property. This may include your home, rental properties, your company or empty pieces of land. Real estate is typically a smart and can make you a lot of money over time

What is a Premium Issue ?

Generally, most shares have a face value (i.e. the value as in a balance sheet) of Rs.10 though not always offered to the public at this price. **Companies can offer a share with a face value of Rs.10 to the public at a higher price.**

The **difference** between the **offer price** and the **face value** is called the **premium**. As per the SEBI guidelines, new companies can offer shares to the public at a premium provided :

1. The promoter company has a 3 years consistent record of profitable working.
2. The promoter takes up at least 50 per cent of the shares in the issue.
3. All parties applying to the issue should be offered the same instrument at the same terms, especially regarding the **premium**.
4. The prospectus should provide justification for the proposed premium. On the other hand, existing companies can make a **premium issue** without the above restrictions.

In a buoyant stock market when good shares trade at very high prices, companies realize that it's easy to command a **high premium**.

Investing Vs. Trading

Many people confuse trading with investing. They are not the same.

The biggest difference between them is the length of time you hold onto the assets. An **investor** is more interested in the **long-term appreciation** of his assets, counting on that historical rise in **market equity**.

He's not generally concerned about **short-term fluctuations** in prices, because he'll ride them out over the long haul.

An **investor** relies mostly on **Fundamental Analysis**, which is the analytical method of predicting long-term prospects of a particular asset. Most investors adopt a "**buy and hold**" approach to assets, which simply means they buy shares of some company and hold onto them for a long time. This approach can be **dangerous, even devastating**, in an extremely volatile market such as today's BSE or NSE Indexes Show.

Let's consider someone who bought shares of XYZ Company at their peak value of around Rs.650 per share at the beginning of the year 2000. Two years later, those shares are worth Rs.100 each. If that investor had spent Rs. 65,000/-, his net loss would be Rs.55,000/- ! I don't know about you, but losing Fifty Five Thousand Rupees would be a relatively big loss for me.

Many investors suffer such losses regularly, hoping that in five or ten or fifteen years the market will rebound, and they'll recoup their losses and achieve an overall gain.

What most **investors** need to remember is this: investing is not about weathering storms with your "beloved" company – it's about making money.

Traders, on the other hand, are attempting to profit on just those **short-term price fluctuations**. The amount of time an **active trader** holds onto an asset is very short: in many cases minutes, or sometimes seconds. If you can catch just two index points on an average day, you can make a comfortable living as a Trader.

To help make their decisions, Traders rely on **Technical Analysis**, a form of marketing analysis that attempts to predict short-term price fluctuations.

Trying to win in the stock market without a trading plan is like trying to build a house without blueprints - costly mistakes are inevitable.

Why do you need a Trading Plan?

1 - During trading hours, emotions will turn smart people into idiots. Therefore, you have to avoid having to make decisions during those hours. For every action you take during trading hours, the reason should not be greed or fear. The reason should be because it is in the plan. With a good plan, your task becomes one of patience and discipline.

2 - Consistent results require consistent actions - consistent actions can only be achieved through a detailed plan.

What should be in your trading plan?

1 - Your strategy to enter and exit trades

You have to describe the conditions that have to be met before you enter a trade. You also have to describe the conditions under which you will close a position. These conditions may include technical analysis, fundamental analysis, or a combination of both. They may also include market conditions, public sentiment, etc...

2 - Your Money management rules to keep losses small - the goal of money management is to ensure your survival by avoiding risks that could take you out of business. Your money management rules should include the following:

- Maximum amount at risk for each trade.
- Maximum amount at risk for all your opened positions.
- Maximum daily and weekly amount lost before you stop trading

3 - Your daily routine - after the market closes, before it opens, etc...

4 - Activities you carry out during the weekend.

5 - I also like to include reminders that I read every day

I will follow a trading plan to guide my trading - therefore my job will be one of patience and discipline.

- I will always keep my trading plan simple.
- I will take actions according to my trading plan, not because of greed, fear, or hope.
- I will not deceive myself when I deviate from my trading plan. Instead I will admit the error and correct it.

I will have a winning attitude.

- Take responsibility for all your actions – don't blame the market or world events.
- Trade to trade well and for the love of trading, not to trade often and not for the money.
- Don't be influenced by the opinions of others.
- Never think that taking money from the market is easy.
- Don't try to guess the future – trading is a game of probabilities.
- Use your head and stay calm – don't get excited or depressed.
- Handle trading as a serious intellectual pursuit.
- Don't count how much money you have made or lost while you are in a trade - focus on trading well.

A trading plan will not guarantee you success in the stock market but not having one will pretty much guarantee failure.

Investing!! What's that?

Judging by the fact that you've taken the trouble to navigate to this page my guess is that you don't need much convincing about the **wisdom of investing**. Read on. Knowledge is power. It is common knowledge that **money has to be invested wisely**. If you are a novice at investing, terms such as stocks, bonds, futures, options, Open interest, yield, P/E ratio may sound Greek and Latin. Relax. It takes years to understand the **art of investing**. You're not alone in the quest to crack the jargon. To start with, take your **investment decisions** with as many facts as you can assimilate. But, understand that you can never know everything. Learning to live with the anxiety of the unknown is part of investing. Being enthusiastic about getting started is the first step, though daunting at the first instance. That's why my **investment course** begins with a dose of encouragement: With enough time and a little discipline, you are all but guaranteed to make the right moves in the market. Patience and the willingness to invest your savings across a portfolio of securities tailored to suit your age and risk profile will propel your revenues and cushion you against any major losses. Investing is not about putting all your money into the "Next big thing," hoping to make a killing. **Investing isn't gambling or speculation**; it's about taking reasonable risks to reap steady rewards.

Investing is a method of purchasing assets in order to gain profit in the form of reasonably predictable income (dividends, interest, or rentals) and appreciation over the long term.

Why should you invest?

Simply put, you should invest so that your money grows and shields you against rising inflation. The rate of **return on investments** should be greater than the rate of inflation, leaving you with a nice surplus over a period of time. Whether your money is invested in stocks, bonds, mutual funds or certificates of deposit (CD), the end result is to create wealth for retirement, marriage, college fees, vacations, better standard of living or to just pass on the money to the next generation or maybe have some fun in your life and do

things you had always dreamed of doing with a little extra cash in your pocket. Also, it's exciting to review your investment returns and to see how they are accumulating at a faster rate than your salary.

When to Invest?

The sooner the better. By **investing into the market** right away you allow your investments more time to grow, whereby the concept of compounding interest swells your income by accumulating your earnings and dividends. Considering the unpredictability of the markets, research and history indicates these three **golden rules for all investors**

1. Invest early

2. Invest regularly

3. Invest for long term and not short term

While it's tempting to wait for the **“best time” to invest**, especially in a rising market, remember that the risk of waiting may be much greater than the potential rewards of participating. Trust in the power of compounding. Compounding is growth via reinvestment of returns earned on your savings. Compounding has a snowballing effect because you earn income not only on the original investment but also on the reinvestment of dividend/interest accumulated over the years. The power of compounding is one of the most compelling reasons for investing as soon as possible. The earlier you start investing and continue to do so consistently the more money you will make. The longer you leave your money invested and the higher the interest rates, the faster your money will grow. That's why stocks are the **best long-term investment tool**. The general upward momentum of the economy mitigates the stock market volatility and the risk of losses. That's the reasoning behind investing for long term rather than short term.

How much to invest?

There is no statutory amount that an investor needs to invest in order to generate adequate returns from his savings. The amount that you invest will eventually depend on factors such as:

- 1 Your risk profile
2. Your Time horizon
3. Savings made

Remember that no amount is too small to make a beginning. Whatever amount of money you can spare to begin with is good enough. You can keep increasing the amount you invest over a period of time as you keep growing in confidence and understanding of the investment options available and So instead of just dreaming about those wads of money do something concrete about it and start investing soon as you can with whatever amount of money you can spare.

Investment is a term with several closely-related meanings in finance and economics. It refers to the accumulation of some kind of asset in hopes of getting a future return from it.

Assets such as equity shares or bonds held for their financial return (interest, dividends or capital appreciation), rather than for their use in the organization's operations.

Return on Investments

The money you earn or lose on your investment, expressed as a percentage of your original investment.

In Simple words, It is the amount received as a result of investing in particular ventures.

Collective Investments Schemes

Funds which manage money for a number of investors and pool it together. This enables investors to benefit from a larger number of individual investments and cost efficiencies.

Short-Term Investments

Short-Term Investments are generally investments with maturities of less than one year.

Capital Investments

Investments into the fixed capital (capital assets), including costs for the new construction, expansion, reconstruction and technical reequipment of the operating enterprises, purchase of machinery, equipment, tools, accessories, project and investigation works and other costs and expenditures.

What is a Stock Broker ?

A **stock broker** is a person or a firm that trades on its clients behalf, you tell them what you want to invest in and they will issue the buy or sell order. Some **stock brokers** also give out financial advice that you a charged for.

Stocks

A corporation is generally entitled to create as many shares as it pleases. **Each share is a small piece of ownership**. The more **shares** you own, the more of the company you own, and the more control you have over the company's operations. Companies sometimes issue different classes of shares, which have different privileges associated with them.

So a corporation creates some **shares**, and sells them to an investor for an agreed upon price, the corporation now has money. In return, the investor has a degree of ownership in

the corporation, and can exercise some control over it. The corporation can continue to issue new shares, as long as it can persuade people to buy them. If the company makes a profit, it may decide to plow the money back into the business or use some of it to pay dividends on the shares.

What is a Bull Market?

A **bull market** is a financial market where prices of instruments (e.g., **stocks**) are, on average, trending higher. The **bull market** tends to be associated with **rising investor confidence** and expectations of **further capital gains**.

What is a Bear Market?

The opposite of a **bull market is a bear market** when prices are falling in a financial market for a prolonged period of time. A bear market tends to be accompanied by widespread pessimism. A bear market is slang for when stock prices have decreased for an extended period of time. If an investor is "bearish" they are referred to as a bear because they believe a particular company, industry, sector, or market in general is going to go down.

Defining the Dividend

Dividends are payments made by companies to their stockholders in order to share a portion of the profits from a particular quarter or year.

COMMON MISTAKES WHILE INVESTING

MISTAKE ONE

Lack of Knowledge and No Plan

It amazes us that some people expect to trade the stock market successfully without any effort. Yet if they want to take up golf, for example, they will happily take some lessons or at least read a book before heading out onto the course.

The stock market is not the place for the ill informed. But learning what you need is straightforward – you just need someone to show you the way.

The opposite extreme of this is those traders who spend their life looking for the Holy Grail of trading! Been there, done that!

The truth is, there is no Holy Grail. But the good news is that you don't need it. Our trading system is highly successful, easy to learn and low risk.

MISTAKE TWO

Unrealistic Expectations

Many novice traders expect to make a gazillion dollars by next Thursday. Now, don't get us wrong. The stock market can be a great way to replace your current income and for creating wealth but it does require time. Not a lot, but some.

Other beginners think that trading can be 100% accurate all the time. Of course this is unrealistic. But the best thing is that with our methods you only need to get 50-60% of your trades "right" to be successful and highly profitable.

MISTAKE THREE

Listening to Others

When traders first start out they often feel like they know nothing and that everyone else has the answers. So they listen to all the news reports and so called "experts" and get totally confused.

And they take "tips" from their buddy, who got it from some cab driver...

We will show you how you can get to know everything you need to know and so never have to listen to anyone else, ever again!

MISTAKE FOUR

Getting in the Way

By this we mean letting your ego or your emotions get in the way of doing what you know you need to do.

When you first start to trade it is very difficult to control your emotions. Fear and greed can be overwhelming. Lack of discipline; lack of patience and over confidence are just some of the other problems that we all face.

It is critical you understand how to control this side of trading. There is also one other key that almost no one seems to talk about. But more on this another time!

MISTAKE FIVE

Poor Money Management

It never ceases to amaze us how many traders don't understand the critical nature of money management and the related area of risk management.

This is a critical aspect of trading. If you don't get this right you not only won't be successful, you won't survive!

Fortunately, it is not complex to address and the simple steps we can show you will ensure that you don't "blow up" and that you get to keep your profits.

MISTAKE SIX

Only Trading Market in One Direction

Most new traders only learn how to trade a rising market. And very few traders know really good strategies for trading in a falling market.

If you don't learn to trade "both" sides of the market, you are drastically limiting the number of trades you can take. And this limits the amount of money you can make.

We can show you a simple strategy that allows you to profit when stocks fall.

MISTAKE SEVEN

Overtrading

Most traders new to trading feel they have to be in the market all the time to make any real money. And they see trading opportunities when they're not even there (we've been there too).

We can show you simple techniques that ensure you only "pull the trigger" when you should. And how trading less can actually make you more !

ONLINE TRADING – Do's and Don'ts

Trading online has become very popular in today's time when you just need a **trading account** and after that you can trade comfortably while sitting at your home. Apart from comfort of trade it provides various facilities like:

- *Ease of buying and selling of shares.*
- *Online receipt of contract notes/ trade statement for the transactions.*
- *Direct deposits of dividends/ bonus amount etc to account.*
- *Various trading tools for ease of making investment decision.*

One click of mouse button is of ample importance while **trading online** because sometimes it is what that draws a line between your winning or loosing the game. Trading online is very interesting but you have to be a bit careful as well. The process of trading is very easy but making money is a bit tricky. All you need is a trading account and a little bit of caution to operate the same. Below are some **do's and don'ts while trading online**:

Prices change at the blink of eye and the transactions are not always in real time. Moreover the speed of your internet might cause delay. So always make sure not to change your decision until the last moment. Take time examining the stock and make decision ahead of time so that you don't lose while in panic.

An important feature of **stock markets is volatility**. So if you don't keep a close eye on how your stocks move while placing an order, you might land up in losses.

Online trading is a matter of trust between you and your broker because there is no in-person contact. But you can't leave everything on trust. Make sure your broker provides you detailed email statements and contract notes of executed trades.

Online trading provides facility to place limit orders. If you don't have sufficient time to keep track of the stock prices, fix up a buy/sell price based on your judgement and go for limit orders. Moreover limit orders help you take ample advantage of volatile session during the day.

In addition to the brokerage rate being paid, prudent investor should always be well aware of the **various Fees and commissions** charged by the broker for various services offered like Mobile services, buy sell alerts, reporting, chart and other tools to facilitate easy trade as they really affect your net earnings.

For novice traders, it's a suggestion to always trade with stop loss. Set your stop loss to level to avoid the risks associated.

Even though chances of default by a good brokerage firm are nil but a smart investor should always keep track of credit/debit of money in their bank accounts or transfer of shares to/from the demat a/c accordingly for each trade executed because technical reasons might lead to discrepancy which cannot be avoided.

Prevention is always better than cure. Security is another important factor for online traders. It is advisable always to follow *security measures related to passwords and other personal information* while login into the websites to eliminate chances of theft of identity and information.

Trading Mutual Funds on Stock Exchanges – What the Investor needs to Know

Trading Mutual Funds on Stock Exchanges – What the Investor needs to Know

SEBI has recently allowed **allowed registered stockbrokers to transact mutual fund units** on behalf of their clients through the stock exchange mechanism. When the systems are in place there are a few points the investor has to consider while investing in **mutual funds** through Stock Exchanges (NSE and BSE)

- **Existing mutual fund investors** who intend to buy more units will also benefit as this system will allow them to keep track of all investments under a single statement.

- The SEBI circular on Friday also said that investors can hold units of mutual fund schemes in dematerialised form, and that the **demat** statement given by the depository participants would be deemed adequate compliance with SEBI norms. Buying and selling will become more efficient and transparent, particularly if investors choose to transact through a demat account.

- Though cost seems to be a factor for those who do not have a demat account, the *impact will be minimal for those who already are demat account holders*.

- End-users can use the *convenience of their neighbouring broker's office for their mutual fund transactions*. However, once the broker starts acting as a distributor, there is an issue about what commission he might ask for and whether the client would be ready to pay that or not.

- In terms of convenience, the advantages are similar to investing online through the AMC's website — **reducing the clutter of paperwork and speedy execution**.

- **Investing in SIPs (systematic investment plans)** – A reading of the SEBI circular on entry loads suggests that the entry load will continue to apply on instalments of SIPs registered before August 2009. As long as this loophole remains unplugged, existing SIPs will be at a disadvantage to the ones registered after August 1. The only way out is to stop the existing SIPs and start afresh in the same scheme. For those with SIPs, the only way to benefit from the entry load waiver is to stop them and start new ones in the same scheme.

- **Switching from one scheme to another within the same fund house** – As per the new guidelines, no entry load will be charged for purchases, additional purchases and switch-in accepted by any fund house with effect from August 1, 2009. Similarly, no entry load will be charged with respect to applications for registration under systematic transfer plans.

Source : ET and Hindu Businessline

Day Trading is the act of buying and selling securities intra-day with the expectation of making fast profits within minutes to hours.

Day traders come in all shapes and forms, using mechanical to systematic day trading systems, and can place anywhere from one to thousands of trades per day.

Day trading strategies typically follow one of two approaches: **beating the spread** or attempting to catch **short term trends**. The spread is the difference between what is being offered for a stock (**the bid**) and the price being asked for the stock (**the ask**). **Spread trading attempts to buy at the bid and sell at the ask, over and over again.**

Follow these Basic Rules while Investing

Most of us are confused where to put in our money and where not to invest our hard earned money. I found the rules mentioned below quite helpful. My suggestion is just follow the directions given below and I am sure, some of you may save lot of money going down the drain. Here it is:

Rule 1: Don't buy unlisted shares

There are over 20,000 public limited companies in India, of which only around 7,000 are listed on the country's various stock exchanges. The first rule of profitable share investment is to confine your buying to these 7,000 listed companies only.

Stock exchanges do not permit trading in unlisted shares, nor do they permit their registered members, i.e. brokers to deal in unlisted shares. Therefore, if you want to buy unlisted shares you won't get the protection of the stock exchange authorities; nor will you be able to use the services of your stockbroker in handling such transactions. Moreover, in the absence of stock exchange quotations you won't be able to assess what the market price of an unlisted share should be. All these factors create complications and risks, which you are not likely to be in a position to handle. As a basic rule, therefore, you should avoid investing in shares of unlisted companies.

How does one know whether a share is listed or not? It's simple; all shares whose prices are quoted in daily newspapers or websites are listed shares. Unlisted shares are quoted. Therefore, the fact that a **share is quoted** means that it must be listed. This is the easiest and surest way of finding out whether a particular share is listed or not.

Rule 2: Don't buy inactive shares

Active shares are those in which transactions take place every day, or almost every day, on the stock exchange. At the other extreme are *shares in which transactions take place rarely*, if ever. The latter are called inactive shares. In this book, an inactive share has been defined as one, which is transacted less than two times a month, or not at all.

The main reason why **shares are inactive** is because there are **no buyers for them**. They are mostly shares of **companies which are not doing well** and whose future prospects appear to be dim. Naturally, nobody wants to buy their shares. As a result, existing shareholders of these companies find it difficult to get rid of their shares, even at very low prices. And, if nobody wants to buy these shares, why should you? Why should you allow yourself to get stuck with an investment, which you can't offload at will, whenever you want to? We would strongly advise you to avoid investing in inactive shares.

How does one find out whether a particular share is inactive or not? The simplest way is to regularly scrutinise the stock market quotations, which appear in the daily newspapers. If you find that a particular share has not been quoted for a long time, you can presume it is inactive. Some newspapers, like The Financial Express not only indicated the last

quoted price of each of share, but also the date when it was last transacted. This information can help you to confirm whether a particular share is inactive. Check out BSE or NSE Websites

Inactive shares can generally be bought at very low prices. This is obvious since such shares generally find no buyers. Inexperienced investors looking for bargains are often attracted to such shares by virtue of their low prices. This is how beginners are normally trapped in to making disastrous investments, Beware of such bargains! If you come across a bargain, remember there has to be catch in it somewhere. It is better to hunt for value, and pay a fair for it than to look for such apparent bargains.

Every time you buy a share, you must remember that one day you will want to sell it. If you are likely to face difficulty in selling it – don't buy it! This is a sound investment principle, which you should never lose sight of, no, matter how cheap or attractive a particular investment may appear to be. Never allow yourself to get caught with illiquid share. They are only pieces of paper without any value. Shares have value only when they are readily encashable.

Of course, it is possible that a share, which is inactive today, could become active tomorrow; just as a share, which is active today, could become active tomorrow. It all depends upon the degree of buying interest in a particular share. If buying interest builds up in a share, it can easily move from the inactive to the active category.

Rule: 3 Don't buy shares in closely held companies:

Whether a company is widely held or closely held depends upon the number of shareholders it has. In this book, we will draw the line at 5,000 shareholders. ***Companies with less than 5,000 shareholders will be considered as closely held.***

Shares of closely held companies tend to be less active than those of widely held ones since they have a fewer number of shareholders and, thus, a smaller floating stock of shares. Shares of such companies tend to be ignored by the general public. Large institutional investors also tend to avoid closely held companies. As a result their shares do not get sufficient price support, which they would otherwise have got if they had been widely held. Moreover, it is always much easier to manipulate the share prices of a closely held company than those of a widely held one.

Share prices of closely held companies also tend to be more volatile than others. When they rise they rise very fast, and to a very high level. Conversely, when they fall they do so very fast and to a very low level. As a result, it is generally very difficult to buy shares in a closely held company when prices are rising, and very difficult to sell them when prices are falling. Investing in such shares requires a high degree of expertise, knowledge, alertness and quick thinking, which take years of active investing to acquire. We would, therefore, strongly urge you to keep away from such shares.

Source : Various Websites and Books on Share market Basics

Getting Started in Share Market Trading. Things you should know

Getting Started in Share Market Trading. Things you should know

It is very interesting to invest in shares, though most of the people would like to start with small money.

First of all, you need to know a little bit in detail about the stock market, then about the shares and the mode of their trading. What are the risks involved and how to be smart in dealing with shares?

- Stock Market – It is the place where the shares of listed companies are bought and sold. In India, you have BSE and NSE as two big stock exchanges.
- Shares are bought and sold by you and me only through approved brokers.
- Approved brokers are mostly banks like the ICICI, HDFC, IDBI, UTI Bank, SHCI, are to name a few.
- First you need to open an account with a bank, that has the Demat account facility.
- Go to the respective bank and open a Savings account with deposit of around Rs. 10,000.
- Tell the bank that you want to deal in shares and ask them to open a Demat account. It will be done automatically after signing a few forms.
- A Demat account is nothing, but the account where the shares bought by you will be kept separately.
- Only you could operate that account online, through Internet.
- You could open the online facility offered by the ICICI, HDFC or ShareKhan or others and buy shares you wish and decide the quantity and the price.
- Here the **bank will act as a broker**. Your online order for purchase would be carried out by the bank. They charge broker commission, much less compared to private brokers.
- It is very important for you to have enough balance to your credit in your savings account.

- As and when you buy on line, your *Demat account* will be credited with those shares. The money for the purchase will be automatically deducted from your account by the bank.
- You also have to keep looking for opportunities to sell the shares that you have already bought and kept in your Demat account.
- For buying and selling, it is necessary to familiarize which shares to be bought at what prices and sell them at what price.
- As and when you decide to sell (depending on the price quoted in the market) you could sell them through online trading system.
- The moment you sell your Demat account will be debited with the number of shares sold by you.
- Your account will be credited with the amount for which you have sold.
- Depending on the amount of profit earned, tax will also be deducted by the bank (**TDS**). The bank will give you a TDS certificate by the year end, i.e., March 31, of that year which you could attach with the return to justify the tax payment.
- *When the shares could be bought or sold?*
Always sell the shares when the price is up and buy when the price is down. Every body had to adapt to this formula.
- *What profit should it give you?*
You buy a share for a particular price. Take the amount as investment. Any bank will lend you at ten per cent interest. It will give you 24 per cent return if the share price rises in such a way. Do not wait for the market to crash and start searching for buyers for the price you quote.

After selling, never look back and repent for what profit you have earned, had you delayed the sale. Be happy that it did not happen otherwise. This is the best way, to sell.

- If you want to buy, look for 52 week low, look for the peer companies, their price and compare it with the company you want to buy.

Look for the prospectus, future plans and the profit the company ought to make in the next year. Take the perception or a change and buy.

- You cannot take profit in the buys. Losses do occur as long as you are at decent surplus for which you have no reason to be unhappy.

Stock Quote – lifeline of an investor

Stock quote is that magical figure that gives you all the information related to stock.

Stock quotes can be obtained in newspapers and online but the most convenient place is online as it is very close to real time information. Website like Yahoo!Finance and rediff help you get real-time quotes at a mouse-button click. Different sources provide different sets of information. Some might provide with detailed information like corporate actions, mutual fund activity in the shares in addition to some basic price information. Below is the list of common figures in the stock quote details:

52-week High/low : These are the highest and lowest price recorded in the last 52 weeks. The highest/lowest price figures for past 52 weeks can help make a judgement whether or not you should invest in stock at current price .

Days Range: It is the price range within which a stock has traded on a day. It thus consists of high/low price the stock has touched in a day.

PE: It is the Price to Earnings Ratio of the stock (per-share earnings by closing price).

Open and Close: Close is the last price quoted on a stock during a day. Open price is the opening price at which stock starts trading for a day. Opening price may not be same as the closing price of the stock on previous day.

Bid and ask prices: Bid price is the price a buyer is willing to pay for a stock while ask/offer is price at which seller is willing to accept the stock.

Trade volume: It is the quantity of shares traded on the stock exchange on a day. It helps you determine the liquidity of stock as you might land up in trouble if you want to sell your share and there is no one to buy it

Percentage change: It refers to the percentage change between current stock price w.r.t to its previous close.

Market Capitalisation: It gives you an insight into the company's equity capital available for trading and is the price of each share multiplied by number of equity shares outstanding.

Dividend: Some quotes also give the last dividend paid to the shareholders and can be useful in determining how much and what type of dividend can be expected from the company. This also details their record date, ex date so that you can decide upon what time will be right to invest in the stock to avail the dividend.

Methods of buying and selling of shares.

Given below are the types of orders which are used for buying and selling of shares.

Market order: When you put *buy or sell price at market rate then the price gets executed at the current rate in the market.* The market order **gets immediately executed at the current available price.**

In market order there is no need to mention the price; the shares will get executed at the *best current available price.*

If you wish to buy or sell shares at any specific price, i.e. market order is not suitable for you then you have to go for limit order.

Market order is for those who want to buy or sell immediately at the current available price.

Limit order – It's totally different from market order. In this, the **buying or selling price has to be mentioned** and when the share price comes to that price your order will get executed at the price mentioned by you.

But here it's not sure that the price will come to your limit order.

In **day trading it's risky** because you have to close all your transactions before 3.30 pm and if in case the price doesn't reach to your limit order, your order will be open and then you have to go through (bare) heavy penalties. Importantly, **limit order and stop loss trigger price are used together.**

Stop loss trigger price: Stop loss and trigger price are used to reduce the losses. This is a very important term especially if you are day trading (intraday). Stop loss, as the name indicates, is used to reduce the loss.

You can use a pivot calculator for **simple stop loss calculation** for delivery based trading and **intraday stop loss** depends on how much you are ready to lose – the maximum amount you are ready to lose- it also depends on the price movements of the scrip for that particular day

Source : Various websites and books

Online Trading – More knowledge

Many Investors in India prefer dealing in shares through their brokers over the Telephone and not **trade online** because of the security Concerns.

While **concerns about online security** will always be there, rest assured that the brokerages themselves have a very, very high stake in making you feel comfortable about the level of security being used. **All online brokerages** have a portion of their website devoted to explaining the measures they employ to protect your transactions.

Here are a few questions that you may have regarding *Online Trading in Stocks*.

Is trading through the Internet safe?

The safety of transactions on the Internet depends on the encryption system used. The better this transaction system, the more difficult it is for any person to hack the site. Internationally, the best system available today is the 128-bit encryption.

Secondly, you too can ensure the safety of the transactions online. You normally get a secured user id and password, the secrecy of which is to be maintained entirely by you.

Thirdly, if the transaction system requires no manual intervention, you further improve the safety in the transactions. Among Indian sites, very few are fully integrated online trading sites. This enables the elimination of the possibility of any manual intervention, which means orders are directly sent to the exchange ensuring that you get the best and right price.

Is trading through Internet Difficult ?

The experience of trading through Internet depends a great deal on the type of product offered by the site. Say, for example, one of the issues bothering you may be getting tired of the paperwork involved after every trade, in writing cheques.

In **online trading sites**, the greater the back-end integration of the system, the greater the amount of work the sites do for you, therefore greater the convenience available to you.

In big financial institutions your broking account, bank account and **Demat account** are linked electronically. So when you punch in a buy or sell order, the system checks the funds/shares availability and automatically credits/debits the accounts once the order is executed by the exchange.

Is trading through Internet a costly affair?

The convenience provided by online trading is even then worth the costs involved.

And *online trading sites* are not that costly. For example, a trader can trade shares on margin at rates as low as 0.10% and if one wishes to trade in cash, then the rates applicable are as low as 0.4%.

However, it is important to compare various online trading sites on brokerage rates, inclusive of all sub-charges.

I am pretty satisfied with my present broker who serves me off-line. Why should I choose to go online to trade shares?

Many of those customers who have chosen to trade shares online today, had at one point of time been trading through offline brokers, just like you are today. They took a chance to go online and trade shares. After realizing the advantages of trading shares online, they have shifted to online trading now. Just try trading shares after opening an account with any online trading site. However, before choosing an online trading site, please compare all such websites and then make a decision.

How frequently are the prices updated at all these online trading sites?

The tickers available at online trading sites provide instantaneous updates. Also, some websites can offer to transact in those shares instantaneously and with convenience.

How can I be sure that I shall be trading at a price I want to or at a price appearing in the website?

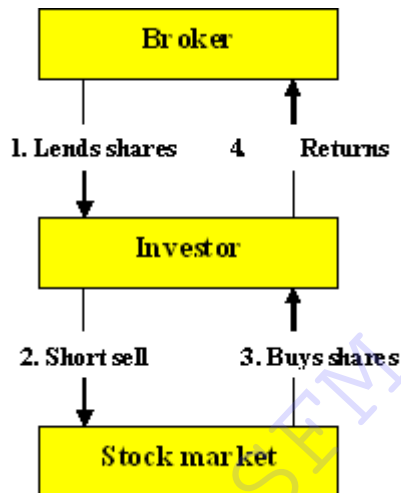
The solution to your problem could be provided in different ways by different online share trading sites. For any trade order, the customer is asked to click 'Proceed' after he has the opportunity to completely check the order verification form.

Moreover, you have the option of modifying or canceling the order till the moment the order is executed at the exchange.

Finally, **online trade confirmations reach our customers** within 4 minutes, while contract notes are dispatched at the end of the day and reach within 24-36 hours.

Short Selling – The Basics What is short Selling ?

Short selling is selling the shares which you do not own. The term “short” here signifies that you do not hold the shares being sold. The first thought popping up in your mind would be – where do these shares come from which you are selling without possessing them in your portfolio of stocks. These come from your broker/brokerage firm that lends you the shares in lieu of your investment as collateral. You short sell these shares but subsequently you have to close the short by buying back the shares from market and then return it to your broker/brokerage firm. You are also charged some interest for the loan of shares you have taken. Below diagram describes the flow of shares involved in short selling



Short Selling

Looking at the flow of shares in above flowchart, one would ponder why to borrow shares for selling in market and then transfer them back to the lender? The logic behind shorting is very simple; **earning profit margin**. Let's see how??

If you think a stock is overvalued and expect that the price would come down in future for sure; you would wish to *sell the shares at current levels at higher price*. So you borrow the shares and sell them at higher price. And when the stock actually falls as you had speculated; you buy it from market at lower price and return it to the lender and the **difference between the selling price (higher) and buy price (lower) is what you earned in the deal**. So at the end you must close the short by paying back the shares and this is called as "covering the short". *Concluding this, investors who anticipate fall in the stock price go short to take advantage of market fall*. An investor can hold the short for as long as he wants but he is charged an interest as it is similar to a loan taken in the form of shares. Also if during the course of loan, the company declares dividend or rights issue, it must be paid to the lender who is the actual owner of shares because you are just a borrower.

Short selling is considered to destabilize markets directly or indirectly. In 2001, the stock prices crashed heavily owing to short selling by big operators after which SEBI banned it. After a gap of 6 years in December 2007 SEBI came up with updated norms of short selling to cover the loopholes and ultimately institutional investor were also permitted to short sell.

Concluding this, short selling no doubt gives you an opportunity to earn profit by taking advantage of downturn of markets, it might bring in huge loss to your investment if stock price moves up. Because in real sense, shorting is a bet against the current market trend. When stock is at current higher levels, you are expecting it to fall down and entering the arena. Speculation is what makes shorting a riskier job. So beware of the dark side of shorting before you actually go for it!

Volatility of Stock Markets and its causes

Volatility is one of the best phenomenon without which stock markets will lose its charm. It is the tendency of fluctuation of market indices over a period of time; more is the fluctuation, higher is the volatility. The **ups and downs of stock prices** is what that adds spice to the market behaviour. This see-sawing effect has its own implications, both good and bad. Good, because prudent investors taking advantage buy on dips and sell on highs for profit booking. On the flip side, greater volatility lowers investor's confidence in the market prompting them to transfer their investment in less risky options due to unexpected market behaviour.

Having observed the past major events of volatility, one can realise the root cause as "*unanticipated information*" breaking out in the market. *When this news stabilises, volatility vanishes because the uncertainty related dies out.*

Few examples from recent past:

- Govt announced buying of shares/bonds of Indian companies through **participatory notes** (PN).
- **CRR and repo rates hike by RBI.**
- **Satyam fiasco** and Lehman's bankruptcy news.
- **Stringent IPO regulations.**
- **US recession fear.** Jan 21, 2008 saw biggest ever fall of 1408 points due to volatility on account of US fears of recession.

Now the question arises how this uncertainty leads to such aftershocks in market.

Firstly, **investments by FIIs** have a major influence on movement of **SENSEX** which came into limelight during general elections of 2004. Owing to fear of reforms due to new government there was continued selling pressure by FIIs resulting in sharp decline in the index. Later on when the news regarding these reforms stabilised, FIIs started buying back the shares they sold earlier. Thus aiming at *profit booking and balancing the portfolio*, FIIs keep relocating their funds from time to time. For example if they find govt policies not in their favour, they would withdraw their investments from Indian markets and invest in some other market leading to sudden crash in index.

Secondly, **Indian markets are sensitive to global markets.** It has been observed that many times if NASDAQ closes high, SENSEX opens in green. So an unwanted news broke out in US may show its effects in Indian markets leading to *intra-day volatility*. Thirdly, **company specific news may cause volatile sessions in the market.** From recent example of **Satyam computers** ltd, markets were highly volatile due to investor's sentiment being in dilemma and anticipations about the future of company and related conglomerates.

Fourthly, **Political news and news related to finance** tend to affect market sentiment. Like RBI declaring CRR hikes, lowering interest rates prompt investor to relocate their investments accordingly. Likewise, news related to scams and frauds also create panic amongst investors making the markets volatile.

Volatility in acceptable limits is a sign of healthy markets as it leads to correction if there is overvaluation of prices. At the same time there is huge risk associated. The **crux is that whatever you have in your portfolio of stocks**, wind may start blowing against you anytime. So to play safe keep a margin to bear the volatility risk and don't put all your eggs in same basket as the basic rule of portfolio management says.

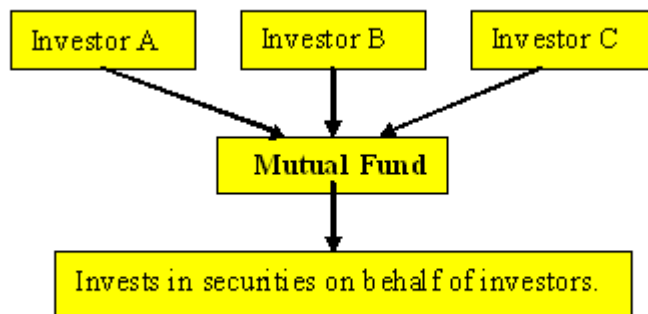
Basics of Mutual Funds

Why Mutual funds?

What if you are a *novice in the world of stock markets* but still want to invest? What if you don't have enough risk appetite for the investments you want to make? What if you don't have time and skill to manage your portfolio and want some professionally qualified people to invest on your behalf? What if you are a *novice in the world of stock markets* but still want to invest?

What are Mutual funds?

As implicit by name, **mutual fund is a fund mutually held by the investors who are the beneficiaries of the fund**. It is a *type of Investment Company which collects money from so many investors in common pool and then invests this capital raised in variety of options like bonds, equity, gold, real estate etc.* At the core of it are professionally qualified people called fund managers analysing the markets conditions and making investment decisions with an objective of maximization of profit. Substantially all the earnings of a **MF** are passed on to the investors in proportion to their investments. In lieu of the services offered, the mutual fund also charges some fees from the investors. The diagram below clearly indicates that investors invest in mutual fund that further makes investment in various options.



Mutual Funds Basics

Having been through basics, one can infer that **investing in mutual funds is an easy way of playing safe in equity** especially you being unaware of tactics of stock markets because it provides professional expertise of fund managers who make investment decisions based on constant study and market research. Besides this, it offers benefits like diversification of portfolio. Since mutual fund is a collective investment vehicle, they have an option to invest in different sectors of market like retail, real estate in addition to options like debt and commodities market. This reduces the risks to which an individual investor would have been exposed if a particular sector is in period of downfall. The simplicity of investment and various benefits offered have made them so popular that can be seen from their growth in past. They came into picture in 1963 with 67bn **assets under management (AUM)** compared to current figures of 4609.49bn with total of 35 mutual funds available at present and still expected to grow in years to come.

Know how to deal with your Broker or Sub-Broker

Every transaction in the stock exchange is carried out through licensed members called brokers.

To trade in shares, you have to approach a broker. However, since most stock exchange brokers deal in very high volumes, they generally do not entertain small investors. These brokers have a network of sub-brokers who provide them with orders.

The general investors should identify a sub-broker for regular trading in shares and place his order for purchase and sale through the **sub-broker**. The sub-broker will transmit the order to his broker who will then execute it.

SEBI has laid down certain Guidelines for Dealing with Brokers & Sub-brokers

Here are the DOs

Deal only with **SEBI-registered brokers/sub-brokers**.

Ensure that the broker/sub-broker has a valid **SEBI registration certificate**.

Ensure that the broker/sub-broker is permitted to transact in the market.

State clearly to the broker/sub-broker who will be placing orders on your behalf

Insist on client registration form to be signed by the broker/sub-broker before commencing operations.

Enter into an agreement with your broker/sub-broker setting out the terms and conditions clearly.

Insist on contract note/ confirmation memo for trades done each day

Insist on bill for every settlement.

Ensure that broker's name, trade time and number, transaction price and brokerage are shown distinctly on the contract note.

Insist on periodical statement of accounts.

Issue cheques/drafts in trade name of the broker only.

Ensure receipt of payment/ deliveries within 48 hours of payout

In case of disputes, file written complaint to the broker/sub-broker, to the stock exchange of which he is a member and to SEBI within a reasonable time.

In case of sub-broker disputes, inform the main broker about the dispute within a maximum of 6 months.

Familiarise yourself with the rules, regulations and circulars issued by the stock exchanges/SEBI before carrying out any transactions.

Watch out for the DON'Ts

Don't deal with unregistered broker/sub-broker

Don't pay more than the approved brokerage to the intermediary.

Don't undertake deals on behalf of others.

Don't neglect to set out in writing orders for higher value given earlier over the phone.

Don't sign blank delivery instruction slip(s) while meeting security pay-in obligation

Don't accept unsigned/duplicate contract note/confirmation memo

Don't accept contract note/confirmation memo signed by any unauthorised person.

Don't delay payment/deliveries of securities to the broker/ sub-broker.

Don't get carried away by luring advertisements

Don't be led by market rumours or get into shady transactions

SIP

Systematic Investment Plan is a feature specifically designed for those who are interested in investing periodically rather than making a lump sum investment. It is just like a recurring deposit with the post office or bank where you put in a small amount every month. The difference here is that the amount is invested in a mutual fund.

In simple words Systematic investment plan, is a simple, time-honored strategy designed to help investors accumulate wealth in a systematic manner over the long-term.

Stock Market Quotes

“ A **stock broker** is one who invests other people’s money until its all gone.” -Woody Allen, American Film Maker

“ Average **investors** who try to do a lot of trading will only make their brokers rich.” -Michael Jenson, Finance Professor -Harvard.

“ We have two classes of **forecasters**: Those who don’t know and those who don’t know they don’t know.” -Jhon Kenneth Galbraith.

“ Most **investors** don’t even stop to consider how much business a company does. All they look at are earning per share and net assets per share.” -Kenneth L Fisher, Stock Market Guru.

“ **Bulls** make money. **Bears** make money. Pigs get slaughtered.” -Anonymous

“ **Buy high and sell low**. What investors should not do, but it happens far to often.” -Anonymous.

“ If you’re going to panic, panic early.” -Anonymous.

“ **Markets change**, tastes change, so the companies and the individuals who choose to compete in those markets must change.” -An Wang.

“ *I never attempt to make money on the Stock Market. I buy on the assumption that they could close the market the next day the next day not reopen it for five years.*” -Warren Buffet.

“ Sometimes your **best investments** are the ones you don’t make.” -Donald Trump.

“ **Investment Management**; An Exercise where you make major decisions, in public, on the basis of flimsy information in a system largely governed by chance, when you may be wrong 50% of the time, ...and you have to go back and do it again.” -Richard Vancil, Harvard Business School

“ He’s called a broker because after dealing with him you are.” -Anonymous

“ The road to success in investing is paved with independence of spirit, decisiveness and the courage of one’s conviction” -Peter L. Bernstein.

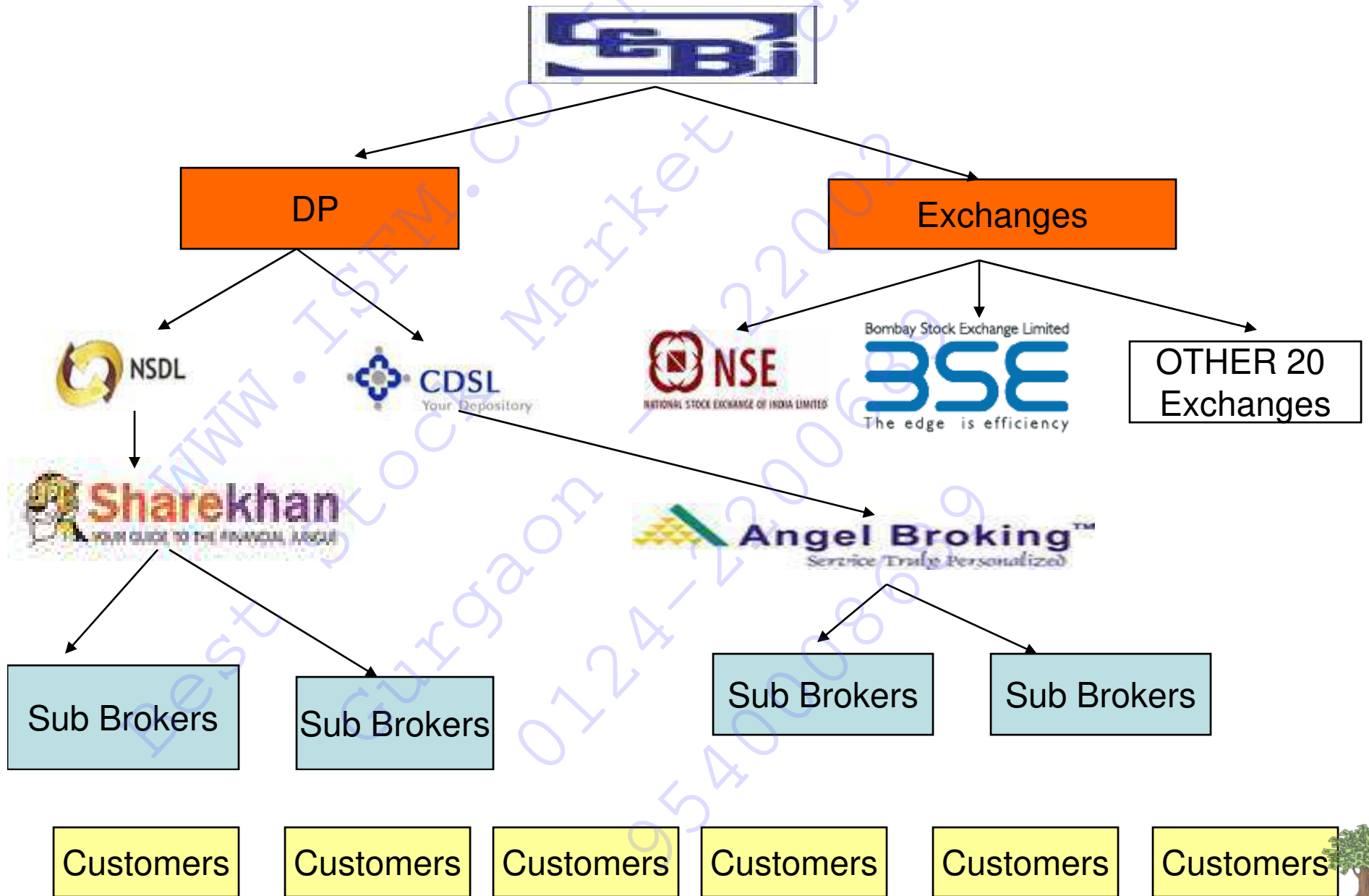
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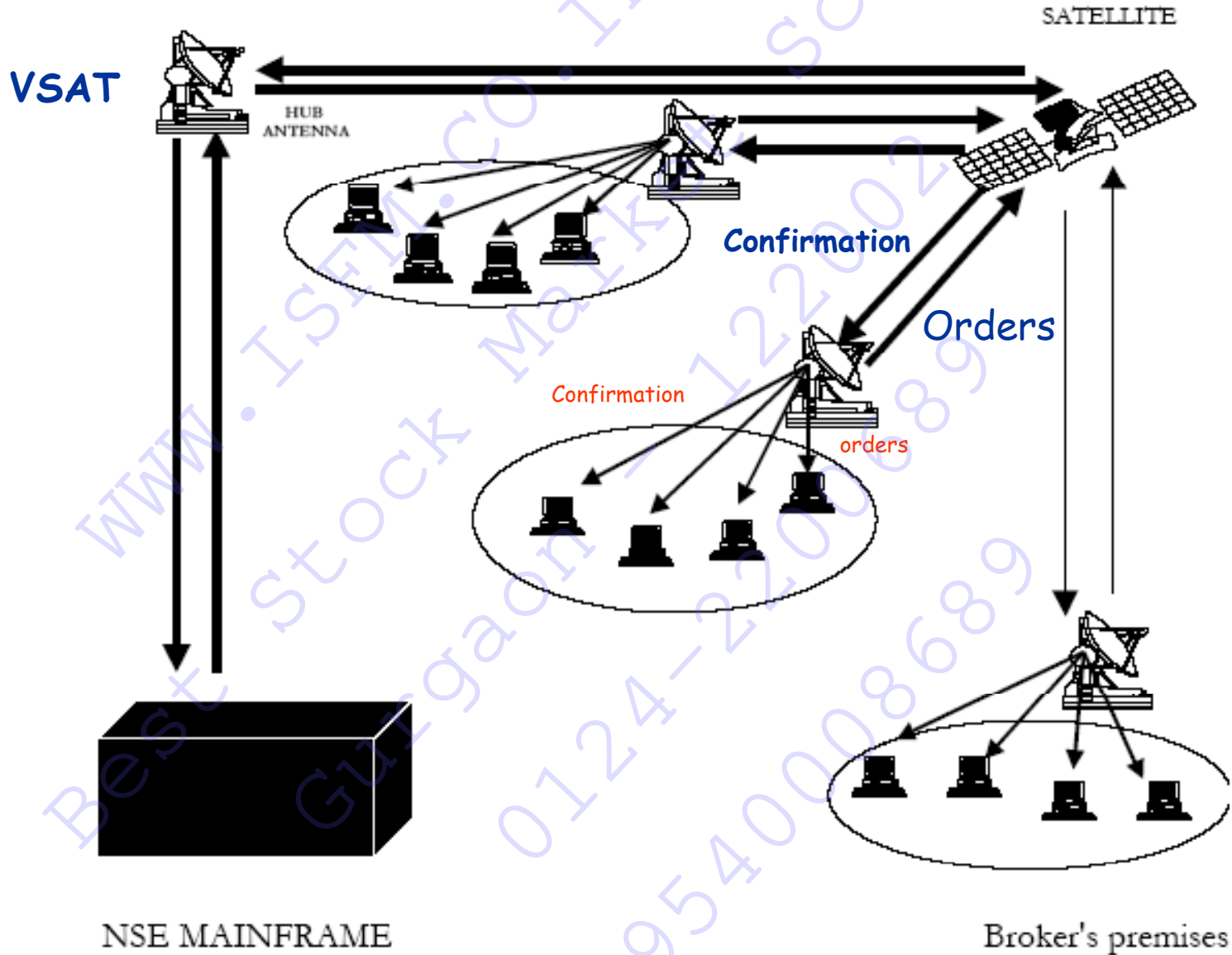
Capital Markets

Practical Guideline

Capital Market Structure



THE TRADING NETWORK



Order Matching

- Trading System operates on strict **price time** priority i.e. best buy order matches with the best sell order . Similar priced orders are sorted out on time priority basis. When order does not find a match, it remains in the system .

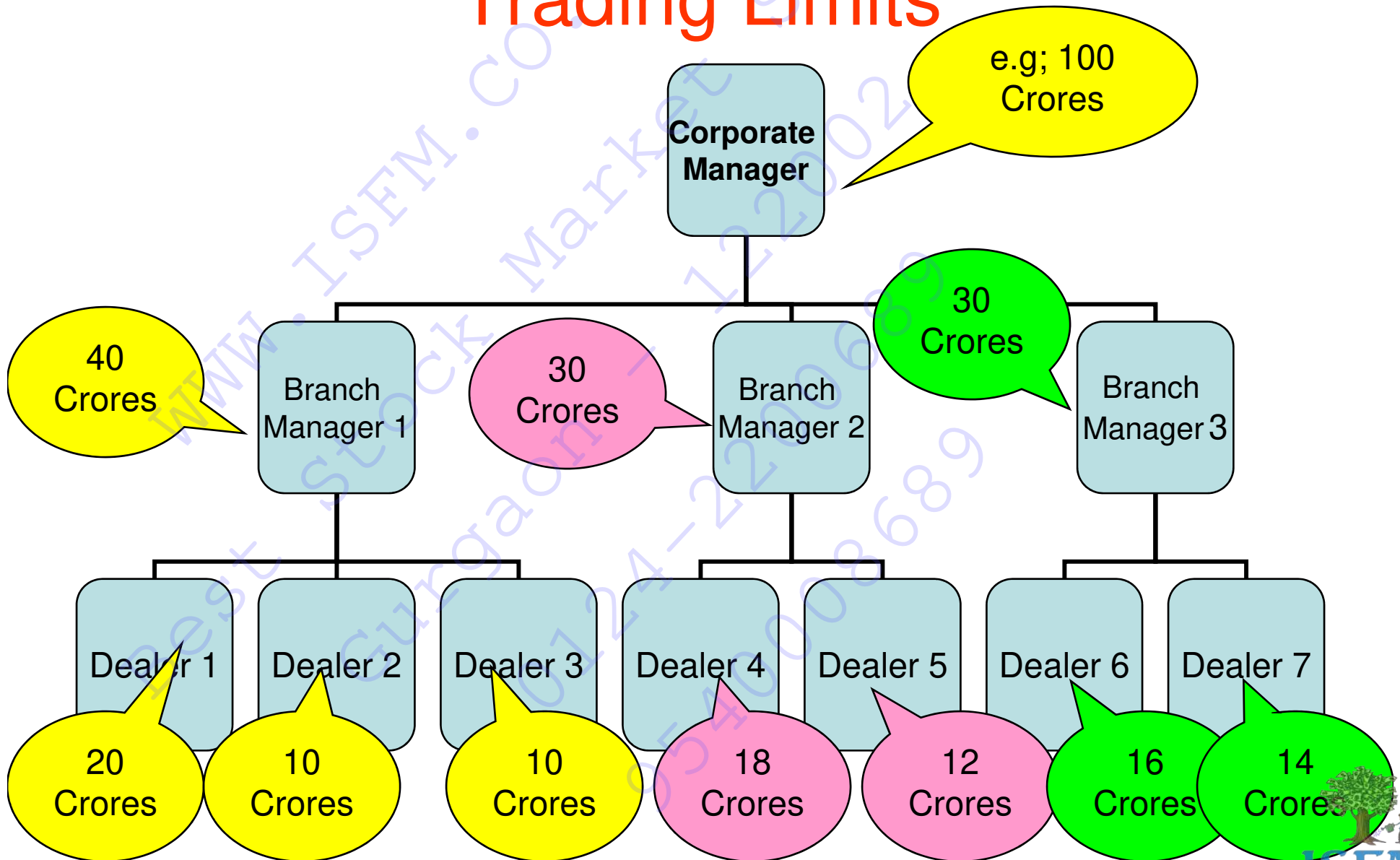
NEAT System

(National Exchange for Automatic Trading)

BOLT SYSTEM BY BSE
BSE online Trading System

WWW.ISFM.CO.IN
Best Stock Market School
Gurgaon - 122006
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F & O Trading – Hierarchy Trading Limits



Market Phases

- OPENING :
- Pre Opening: 09:15 am Opening : 09:15 am.
- Closing : 03:30 Pm
- Day : Monday to Friday

Logging ON

- Trading Member ID
- User ID
- Password

In the event of forgetting the password, the trading member is required to inform exchange in writing to reset the password

Understanding the NEAT Screens

Title Bar :- It displays the trading system Name i.e. NEAT , the date and Current Time.

Ticker Window :- The ticker displays information of all trades in the system as and when it takes place .

Market Watch Window :- The screen allows continues monitoring of securities that are of specific interest to the users.

Tool Bar :- Provides quick access to various functions such as Buy/ Sell Order entry ,MBP, PT,OO, AL, OS, MW, Order Modification and Cancellation etc.

Inquiry Window:- Enables the user to view information such as MBP , PT ,OO ,AL, and so on of selected security.

Snap Quote :- Allows the trading member to get instantaneous market information on any desired securities.

Order/Trade Window :- This window enables the user to enter/modify and cancel Orders.

Message Window :- Enables the user to view messages broadcasted by Exchange.

- **Trading – Enquiry**
 - Market Watch
 - Market by Price
 - Snap Quote
 - Security Information
 - Outstanding Orders
 - Previous Trades
 - Activity Log
 - Order Status
 - Market Movement (Graphs)

Market Watch

Angel Diet Client Ver 7.10.0.2 (Powered By FT-Engines) NSE EQ Id: 25562 F&O Id: 17078

File View Market Orders: EX Tools Window Stocks Links Help

NSE E

Index View

| | | |
|---------------|-------------------|---|
| S&P CNX Nifty | 2871.90 (+174.85) | ▲ |
| SENSEX | 9701.96 (+657.45) | ▲ |
| MCXAGRI | 1397.33 (+8.68) | ▲ |
| NCDEXAGRI | 1839.78 (0.00) | |

Market Watch - NIFTY

| Exc... | Code | Symbol | S.. | Buy Qty | Buy Price | Sell Price | Sell Qty | Last Tra... | Trend I... | DPR | Volume ... | Value (i... | ▲ ... | Net Chang... |
|--------|--------|-------------|-----|---------|-----------|------------|----------|-------------|------------|-------------|------------|-------------|-------|--------------|
| NSE | 6364 | NATIONALUM | EQ | 100 | 165.25 | 165.50 | 4 | 165.40 | | 0.00 - 0.00 | 446,848 | 741.68 | 12.28 | 18.1 |
| NSE | 3721 | TATACOMM | EQ | 55 | 464.35 | 464.80 | 9 | 464.80 | ▲ | 0.00 - 0.00 | 780,561 | 3633.51 | 13.04 | 53.6 |
| NSE | 2031 | M&M | EQ | 41 | 339.20 | 339.90 | 4 | 339.95 | ▲ | 0.00 - 0.00 | 227,704 | 764.86 | 12.54 | 37.9 |
| NSE | 7229 | HCLTECH | EQ | 1 | 168.60 | 168.95 | 21 | 168.95 | ▲ | 0.00 - 0.00 | 390,494 | 658.41 | 11.40 | 17.3 |
| NSE | 3405 | TATACHEM | EQ | 21 | 150.20 | 150.25 | 132 | 150.25 | | 0.00 - 0.00 | 548,358 | 822.70 | 12.88 | 17.1 |
| NSE | 1330 | HDFC | EQ | 20 | 1718.05 | 1719.05 | 1 | 1718.05 | ▼ | 0.00 - 0.00 | 1071,179 | 18061.04 | 14.19 | 213.5 |
| NSE | 3426 | TATAPOWER | EQ | 1 | 683.95 | 684.00 | 45 | 684.00 | ▼ | 0.00 - 0.00 | 335,260 | 2276.38 | 11.62 | 71.2 |
| NSE | 3787 | WIPRO | EQ | 13 | 280.50 | 280.60 | 9 | 280.50 | | 0.00 - 0.00 | 1193,152 | 3388.67 | 9.14 | 23.5 |
| NSE | 2885 | RELIANCE | EQ | 319 | 1333.00 | 1333.85 | 47 | 1333.85 | ▼ | 0.00 - 0.00 | 4282,157 | 56746.29 | 10.99 | 132.1 |
| NSE | 4963 | ICICIBANK | EQ | 121 | 387.70 | 387.90 | 237 | 387.90 | ▼ | 0.00 - 0.00 | 6271,195 | 23977.29 | 12.32 | 42.5 |
| NSE | 3499 | TATASTEEL | EQ | 188 | 206.00 | 206.10 | 48 | 206.00 | | 0.00 - 0.00 | 4031,624 | 8306.76 | 10.24 | 19.1 |
| NSE | 1333 | HDFCBANK | EQ | 153 | 1040.20 | 1041.05 | 1 | 1040.20 | ▼ | 0.00 - 0.00 | 1122,009 | 11615.04 | 9.38 | 89.2 |
| NSE | 22 | ACC | EQ | 1 | 511.15 | 512.00 | 8 | 511.15 | ▼ | 0.00 - 0.00 | 192,727 | 987.44 | 8.05 | 38.1 |
| BSE | 500111 | RELCAPITAL | A | 25 | 679.65 | 680.00 | 144 | 680.00 | ▼ | 0.00 - 0.00 | 1177,786 | 8031.09 | 7.08 | 45.0 |
| NSE | 1594 | INFOSYSTCH | EQ | 180 | 1375.95 | 1376.25 | 25 | 1375.95 | ▲ | 0.00 - 0.00 | 1453,032 | 20432.25 | 5.48 | 71.6 |
| NSE | 1363 | HINDALCO | EQ | 3649 | 56.15 | 56.20 | 1331 | 56.20 | ▼ | 0.00 - 0.00 | 19370,631 | 11219.47 | 5.73 | 3.0 |
| NSE | 11536 | TCS | EQ | 67 | 593.20 | 593.85 | 29 | 593.85 | ▲ | 0.00 - 0.00 | 824,545 | 4841.81 | 9.80 | 53.0 |
| NSE | 694 | CIPLA | EQ | 67 | 180.65 | 180.95 | 45 | 180.95 | ▲ | 0.00 - 0.00 | 683,475 | 1222.12 | 7.42 | 12.5 |
| NSE | 3015 | SATYAMCOMP | EQ | 21 | 302.50 | 302.90 | 25 | 302.50 | | 0.00 - 0.00 | 1907,768 | 5778.06 | 7.17 | 20.2 |
| NSE | 1660 | ITC | EQ | 51 | 158.45 | 158.50 | 532 | 158.50 | ▼ | 0.00 - 0.00 | 5682,428 | 9282.25 | 3.52 | 5.4 |
| NSE | 438 | BHEL | EQ | 15 | 1250.25 | 1251.00 | 5 | 1250.25 | ▼ | 0.00 - 0.00 | 774,195 | 9638.81 | 6.28 | 73.9 |
| NSE | 10604 | BHARTIARTL | EQ | 58 | 641.20 | 641.40 | 40 | 641.40 | ▼ | 0.00 - 0.00 | 4561,046 | 29286.93 | 4.04 | 24.9 |
| NSE | 881 | DRREDDY | EQ | 9 | 435.15 | 436.85 | 60 | 435.15 | ▼ | 0.00 - 0.00 | 153,288 | 677.52 | 4.55 | 18.9 |
| NSE | 3456 | TATAMOTORS | EQ | 1 | 169.85 | 170.00 | 2533 | 170.00 | | 0.00 - 0.00 | 1066,459 | 1812.55 | 6.38 | 10.2 |
| NSE | 10999 | MARUTI | EQ | 10 | 569.35 | 569.60 | 275 | 569.35 | ▲ | 0.00 - 0.00 | 199,569 | 1143.43 | 4.88 | 26.5 |
| NSE | 13446 | RPL | EQ | 2356 | 86.70 | 86.75 | 759 | 86.75 | | 0.00 - 0.00 | 10788,933 | 9247.19 | 7.63 | 6.1 |
| NSE | 3045 | SBIN | EQ | 82 | 1130.10 | 1130.90 | 790 | 1130.10 | ▼ | 0.00 - 0.00 | 1264,362 | 14625.13 | 2.77 | 30.5 |
| NSE | 2475 | ONGC | EQ | 35 | 687.25 | 687.90 | 1 | 687.25 | ▲ | 0.00 - 0.00 | 1183,782 | 8086.18 | 5.99 | 38.9 |
| NSE | 14977 | POWERGRID | EQ | 252 | 67.90 | 68.00 | 168 | 68.00 | | 0.00 - 0.00 | 1667,050 | 1151.10 | 3.57 | 2.3 |
| NSE | 553 | RELINFRA | EQ | 55 | 448.10 | 448.40 | 128 | 448.40 | ▼ | 0.00 - 0.00 | 1139,403 | 5109.31 | 4.57 | 19.6 |
| NSE | 11483 | LT | EQ | 104 | 802.50 | 802.80 | 311 | 802.50 | | 0.00 - 0.00 | 1684,995 | 13416.10 | 5.61 | 42.7 |
| NSE | 11351 | PETRONET | EQ | 1388 | 36.60 | 36.70 | 686 | 36.60 | | 0.00 - 0.00 | 413,821 | 150.26 | 5.47 | 1.9 |
| NSE | 2840 | RANBAXY | EQ | 125 | 170.95 | 171.00 | 1295 | 171.00 | | 0.00 - 0.00 | 1387,249 | 2459.59 | 0.14 | 0.2 |
| NSE | 2963 | SAIL | EQ | 1370 | 87.45 | 87.50 | 3891 | 87.45 | | 0.00 - 0.00 | 3991,635 | 3552.56 | 2.52 | 2.1 |
| NSE | 10666 | PNB | EQ | 2 | 418.10 | 418.65 | 10 | 418.65 | ▲ | 0.00 - 0.00 | 261,385 | 1092.59 | 4.34 | 17.4 |
| NSE | 1394 | HINDIUNILVR | EQ | 2 | 219.20 | 219.25 | 400 | 219.25 | | 0.00 - 0.00 | 3900,796 | 7922.24 | 5.71 | 11.6 |

Service Provided by: Angel Capital & Debt Market Ltd SEBI NO: BSE: INB010996539 NSE Cash: INB231279838 NSE FAO: INF231279838 MCX: MCX/TCM/CORP/0037 NCDEX: NCDEX/TCM/CORP/0302

ACM196 12798 12798 Open ND: Open 0.00 0.00 BE: Open 0.00 MCX: Open NCDEX: Open

11:57:53 AM [NSE Equities] Corporates > Latest Announcements and on the Extranet Server
11:57:53 AM [NSE Equities] (/Common/Corporate Announcements).

Market by Price

Enable the user to view outstanding orders in market aggregated at of best 5 prices.

Market Picture for RELIANCE EQ (Normal Market) Quantity

NSE E 2885 RELIANCE EQ N Refresh

| | | | | | |
|---|----|---------|---------|------|---|
| 1 | 73 | 1221.95 | 1222.00 | 433 | 1 |
| 3 | 67 | 1221.90 | 1222.95 | 300 | 1 |
| 1 | 75 | 1221.85 | 1223.00 | 1396 | 2 |
| 1 | 5 | 1221.80 | 1223.40 | 149 | 1 |
| 1 | 50 | 1221.50 | 1223.45 | 385 | 3 |

209976 12:37:22 PM 11/11/2008 180688

| | | | | | |
|--------|---------------|--------|---------|------------|-------------|
| LTQ: | 2 @ 1221.95 | Open: | 1280.10 | DPR: | 0.00 - 0.00 |
| LTT: | 12:37:21 PM | High: | 1290.00 | Qty: | 0 |
| Vol.: | 2808096 | Low: | 1212.10 | Value: | 0.00 |
| Value: | 3464432278.08 | Close: | 1303.10 | Gain/Loss: | 0.00 |
| ATP: | 1233.73 | 52W H: | 0.00 | MTM Pos.: | 0.00 |
| % | -6.22 | 52W L: | 0.00 | | |

Snap Quote

| Snap Quote(Equity) | | | | | | | | | |
|--------------------|------|------------|----|---|-----|---------|---------|----|---------|
| NSE | 1594 | INFOSYSTCH | EQ | N | 512 | 1997.00 | 1997.90 | 90 | 1997.90 |

New Order

BUY ORDER

| Order Type | Code | Symbol | Series | Total Qty | Price | Prot % | Settlor | Dis.Qty | Product Type |
|--------------------|-----------|----------|--------|-----------|-------|--------|---------|---------|--------------|
| BUY | BSE | RL | 532174 | ICICIBANK | A | 1 | 887.40 | | Margin |
| Trig. Price | Delv Type | Validity | | | | | | | |
| | | EOSESS | | | | | | | |
| | | | | | | | Submit | Clear | |
| Message: New Order | | | | | | | | | |

SELL ORDER

| Order Type | Code | Symbol | Series | Total Qty | Price | Prot % | Settlor | Dis.Qty | Product Type |
|--------------------|-----------|----------|--------|-----------|-------|--------|---------|---------|--------------|
| SELL | BSE | RL | 532174 | ICICIBANK | A | 1 | 887.00 | | Margin |
| Trig. Price | Delv Type | Validity | | | | | | | |
| | | EOSESS | | | | | | | |
| | | | | | | | Submit | Clear | |
| Message: New Order | | | | | | | | | |

Order Book

| C | E... | M... | T... | Instru... | Code | S... | S. | Scrip ... | O. | B. | P.. | Price | T.. | P... | Client | Client Name | Exch. ... | Status |
|----|------|------|------|-----------|--------|-------|----|-----------|----|----|-----|---------|-----|------|--------|------------------------|-----------|---------|
| 1. | BSE | 612 | 720 | EQUITIES | 532540 | TCS | A | TCS LTD | RL | S | 25 | 1308.00 | 25 | CLI | S7791 | SHARDANAD INVESTMENT | 20530871 | Pending |
| 1. | BSE | 612 | 720 | EQUITIES | 522205 | PR... | B1 | PRAJ I... | RL | S | 20 | 390.00 | 20 | CLI | A5789 | ARUN D BHAGWAT | 20467129 | Pending |
| 1. | BSE | 612 | 720 | EQUITIES | 532430 | BF... | S | BF UTI... | RL | S | 5 | 2350.00 | 5 | CLI | A5789 | ARUN D BHAGWAT | 20467121 | Pending |
| 7 | BSE | 612 | 717 | EQUITIES | 509550 | G... | B1 | GAMM... | RL | S | 100 | 322.00 | 100 | CLI | T1474 | TUSHAR BHANUDAS NEHETE | 20472431 | Pending |

For Help: All Orders for All Securities for ALL OrderType for All

BuyQty: 0 SellQty: 150 4

| | | |
|---------------|--------------------|---|
| S&P CNX Nifty | 4623.60 (0.00) | |
| SENSEX | 15357.35 (-770.63) | ▼ |
| MIDCAP | 6536.01 (-373.84) | ▼ |
| SMLCAP | 8072.73 (-459.19) | ▼ |
| MCXCOMDEX | 2868.79 (+22.73) | ▲ |

Orders Book - [All]

| | O... | B... | Pending... | Price | Total Q... | Pr... | Client | Client Name | Misc. | Exch. Ord.No. | Status |
|-----|------|------|------------|---------|------------|-------|--------|----------------------------|-------|---------------|----------|
| | RL | S | 10 | 2150.00 | 10 | CLI | M32334 | MUKESH R CHELLANI | | 350853 | Pending |
| FBK | RL | B | 0 | 475.35 | 20 | CLI | A30053 | ANTHONY VARGHESE FERNANDES | | 204744 | Executed |
| IOR | RL | S | 0 | 192.60 | 804 | CLI | A28221 | ASHISH H NAGDA | | 883620 | Executed |
| D | RL | B | 0 | 88.60 | 100 | CLI | K23720 | KAMLESH KUMAR GARG | | 880601 | Executed |
| D | RL | B | 0 | 88.20 | 100 | CLI | K23720 | KAMLESH KUMAR GARG | | 880592 | Executed |
| | RL | S | 200 | 13.50 | 200 | CLI | M28830 | MANINDER REKHI | | 648871 | Pending |
| ST | RL | B | 0 | 32.25 | 100 | CLI | M28423 | MOHAMMED AKRAM BANKAR | | 327866 | Executed |
| ST | RL | B | 100 | 32.20 | 100 | CLI | M28423 | MOHAMMED AKRAM BANKAR | | 0 M. Reject | |
| S | RL | B | 0 | 105.00 | 150 | CLI | R32302 | RAMDHAN M AGARWAL | | 883294 | Executed |
| ORT | RL | B | 0 | 570.00 | 20 | CLI | R32302 | RAMDHAN M AGARWAL | | 880375 | Executed |
| TED | RL | B | 50 | 173.00 | 50 | CLI | R27528 | RAMESH TULSIDAS TALREJA | | 327598 | E.Reject |
| S | RL | S | 0 | 106.50 | 100 | CLI | K23720 | KAMLESH KUMAR GARG | | 882548 | Executed |
| D | RL | S | 0 | 95.00 | 100 | CLI | K23720 | KAMLESH KUMAR GARG | | 880152 | Executed |
| RS | RL | B | 0 | 14.85 | 100 | CLI | R27528 | RAMESH TULSIDAS TALREJA | | 661869 | Executed |
| | RL | B | 0 | 110.00 | 25 | CLI | R27528 | RAMESH TULSIDAS TALREJA | | 882524 | Executed |
| BR | RL | B | 0 | 38.25 | 100 | CLI | R27528 | RAMESH TULSIDAS TALREJA | | 882491 | Executed |
| L | RL | B | 0 | 835.00 | 10 | CLI | R27528 | RAMESH TULSIDAS TALREJA | | 204594 | Executed |

For Help: All Orders for All Securities for ALL OrderType For All BuyQty: 3850 SellQty: 2624 64

| | | | | | | | | | | | | | | | | | |
|-------|--------|-----------|---|--------------|---|------|-------|---------|---------|---------|---------|----------|-------|---------|----------|----------|---------|
| BSE N | 526779 | HINAFIL | B | HINAFIL (I) | A | | 1000 | 0.64 | 0.64 | 11.301 | 00... | 0.69 | 0.64 | 0.69 | | | |
| BSE N | 532555 | NTPC | A | NTPC LTD | A | | 35 | 186.70 | 187.45 | 100 | 186.70 | 2354.859 | 01... | 194.55 | 183.00 | 194.55 | |
| BSE N | 500092 | CRISIL | B | CRISIL LTD | A | 0.23 | 5 | 3005.00 | 3210.00 | 5 | 3200.00 | 2.007 | 03... | 3268.95 | 3131.... | 3131.05 | |
| BSE N | 509480 | BERGEPAIN | B | BERGER PAINT | A | | 200 | 37.00 | 37.05 | 100 | 37.05 | 28.872 | 03... | 38.00 | 36.80 | 37.55 | |
| BSE N | 532719 | BLKASHYAP | B | BL KASHYAP | A | ND | -0.06 | 1 | 1637.00 | 1672.10 | 5 | 1671.00 | 3.433 | 01... | 1750.00 | 1553.... | 1553.00 |
| BSE N | 500253 | LICHSGFIN | A | LIC H. FINAN | A | | 153 | 272.50 | 274.30 | 827 | 274.30 | 71.854 | 02... | 279.95 | 270.00 | 270.00 | |
| BSE N | 532500 | MARUTI | A | MARUTISUZUKI | A | | 10 | 833.00 | 836.00 | 39 | 839.75 | 379.523 | 08... | 889.00 | 828.00 | 889.00 | |

CMBUR1 12798 12798 Close ND: Close -3775.00 0.00 BE: Close -50326.10 MCX: PreOpe NCDEX: Oper

05:02:01 PM [NSE Derivatives] MARKET WIDE LIMIT FOR ADLABSFILM IS 3287852. OPEN POSITIONS IN ADLABSFILM HAVE REACHED 65 PERCENT OF THE MARKET WIDE LIMIT.

05:02:01 PM [NSE Derivatives] MARKET WIDE LIMIT FOR GTL IS 12415211. OPEN POSITIONS IN GTL HAVE REACHED 85 PERCENT OF THE MARKET WIDE LIMIT.

Security Information

| Exch. | Code | Symbol/Scrip Id | Sr/Grp | Broadcast : | Margin % |
|--------------------------|------|-----------------------|------------------------|---|----------|
| NSE | 1330 | HDFC | EQ | | 0.00 |
| HDFC LTD | | ISIN : | | Instrument Type : Equity | |
| Market Lot : 1 | | Price Tick : 5 | | Issued Capital : 2504.64 Qty.Freeze% : 0.62 | |
| Face Value : 10.00 | | AVM Buy : | | AVM Sell : Exp Multiplier : 1 | |
| Book-Closure/Record Date | | | | | |
| Start Date : 04/07/2006 | | End Date : 18/07/2006 | | EX Date : 30/06/2006 | |
| Purpose : AGM, Dividend | | | AGM/DIV-RS.20/- PER SH | | |

Qty Freeze :- All orders with very large quantities are sent for Exchange approval

Exp (Equity) Multiplier :- A measure of financial leverage.

Calculated as: $\text{Total Assets} / \text{Total Stockholders' Equity}$

EX -date :- The date on or after which a security is traded without a previously declared dividend or distribution. This is the date on which the seller, and not the buyer, of a stock will be entitled to a recently announced dividend.

Market Movement

Angel Diet Client Ver 7.10.0.2 (Powered By FT-Engines) NSE EQ Id: 24015 F&O Id: 15287

File View Market Orders EX Tools Window Stocks Links Help

BSE E

Index View

| | | |
|---------------|--------------------|---|
| S&P CNX Nifty | 4610.85 (+77.85) | ▲ |
| SENSEX | 15134.02 (+300.56) | ▲ |
| MCXCOMDEX | 2815.76 (+8.87) | ▲ |
| NCDEXAGRI | 1688.22 (+10.30) | ▲ |

Market Movement for BSE 532174 ICICIBANK

| Time | Open | High | Low | Close | Volume | Value | Averag... |
|----------|--------|--------|--------|--------|--------|-------------|-----------|
| 02:30... | 797.50 | 802.00 | 790.30 | 793.40 | 113290 | 90311421... | 797.17 |
| 02:00... | 794.75 | 798.45 | 791.10 | 797.50 | 52901 | 42074588... | 795.35 |
| 01:30... | 795.30 | 801.10 | 791.50 | 794.75 | 116583 | 93026394... | 797.94 |
| 01:00... | 792.25 | 796.20 | 788.00 | 795.30 | 83852 | 66367073... | 791.48 |
| 12:30... | 791.20 | 799.00 | 788.30 | 792.25 | 91396 | 72603068... | 794.38 |
| 12:00... | 807.50 | 808.40 | 791.20 | 791.20 | 210055 | 16800533... | 799.82 |
| 11:30... | 808.00 | 813.90 | 806.40 | 807.50 | 51727 | 41886331... | 809.76 |
| 11:00... | 815.50 | 816.80 | 801.40 | 808.00 | 174661 | 14123904... | 808.65 |
| 10:30... | 811.50 | 821.00 | 805.25 | 815.50 | 202607 | 16486202... | 813.70 |
| 10:00... | 767.95 | 825.00 | 767.95 | 811.50 | 72380 | 58963643... | 814.64 |
| 09:30... | | | | 767.95 | | | |

Service Provided by: Angel Capital & Debt Market Ltd SEBI NO: BSE: INB010996539 NSE Cash: INB231279838 NSE FAO: INF231279838 MCX: MCX/TCM/CORP/0037 NCDEX: NCDEX/TCM/CORP/0302

CMBUR4 12798 12798 Open ND: Open 0.00 0.00 BE: Open 0.00 MCX: Open NCDEX: Open

start Internet Expl... NCFM Training - CM Adobe Reader - [...] 2 Windows Expl... Angel Diet Client ...

Trading - Enquiry

1. Auction Enquiry
2. Security / Portfolio List
3. Multiple Index Broadcast
4. Basket Trading
5. Buy Back Trades

1. Auction Enquiry

- The purpose of Auction Inquiry (AI) is to enable the users to view the auction activities for the current trading day. This window displays information about auctions currently going on and auctions that have been completed.
- The following are the different status displayed for an auction security:
 - S - Auction is in Solicitor Period
 - M - System is matching the orders
 - F - Auction is over
 - X - Auction is deleted
 - P - Auction is pending and yet to begin.

2. Security / Portfolio List

- ***Security List.***

The user can select securities based on Symbol, Series, Instrument type and Market Type.

- ***Portfolio List.***

Once the security is selected, the same can be used for setting up a portfolio. The user can give a name to the list so selected. The existing portfolio can be modified and/or removed.

4. Basket Trading

- A single order to buy or sell a set of 30 securities in one go in the proportion of their respective weights in the Sensex.
- The purpose of Basket Trading is to provide NEAT users with a facility to create offline order entry file for a selected portfolio.
- In the Basket Trading functionality, the User First Selects a Portfolio from combo box. The Portfolio in the combo box is user defined portfolios

All Users defined Portfolios are automatically loaded in to the combo box. The User then allocates an amount to the portfolio by mentioning the amount in the 'Amount' edit box.

- The amount mentioned in the 'Amount Edit' Box is divided among the securities of the portfolio, depending on their current market capitalization, and the amount allocated per security is used to calculate the number of shares to be bought / sold
- Basket trades are used by institutional investors to invest large amounts of money into a particular portfolio or index.
- The facility of Basket Trading has been introduced by the Exchange w.e.f., August 14, 2000.

5. Buy Back Trades

- As per SEBI Notification, dated 14 November, 1998, buyback of securities is permitted in the Secondary Market. Thus, buybacks reduce the number of shares outstanding on the market which increases the proportion of shares the company owns. Companies will buyback shares either to increase the value of shares still available (reducing supply), or to eliminate any threats by shareholders who may be looking for a controlling stake.
- Buybacks can be carried out in two ways:
 1. **Shareholders** may be presented with a tender offer whereby they have the option to submit a portion or all of their shares within a certain time frame and at a premium to the current market price. This premium compensates investors for tendering their shares rather than holding on to them.
 2. **Companies** buyback shares on the open market over an extended period of time.

Supplementary Functions

- **Report Selection**:- Report selection window allows the user (corporate manager and branch manager) to specify the number of copies to be printed for each report. The reports that are available to the trading member are:-
 1. **Open Order** :- This report gives details for all dealers belonging to the trading member that are unmatched orders
 2. **Order Log** :- This report shows Orders placed today, Orders modified today, Orders canceled and Orders deleted by the system.
 3. **Trades Done Today** :- This report gives details of trades done today for all dealers belonging to the trading member firm.

Supplementary Functions cont..

- ***Market Statistics*** :- The purpose of this report is to show the market statistics of that trading day.
- ***Full Message Display*** :- This option enables the display of all the system messages right from the start of the Opening Phase. The messages are filtered as per the selection criteria. Few of message codes on which the selection can be made are:

- | Message Code | Description of Messages Selected |
|---------------------|---|
| • LIS | All listing related messages |
| • ORD | Order Related messages |
| • SYS | System Messages |
| • TRD | Trades |

Supplementary Functions cont..

- ***Branch Order Value Limit Setup :-*** The purpose of this screen is to enable corporate manager to setup a limit on order entry for each branch under the trading member firm. The corporate manager can also authorize a branch with unlimited order entry by clicking on 'Unlimited'.
- ***User Order Value Limit :-*** User order value limit is the cumulative value of orders placed by the user during the day across all securities. This enables the corporate manager to set up different limits among the users

Trading – Order Management

- Order type
 - **Regular Lot (RL)** ; - No special condition associated .
 - **Special Terms (ST)** ; - Currently this facility is not available in the trading system.
 - **Stop Loss (SL)** – Stop Loss orders are released into the market when the last traded price for that security in the normal market reaches or surpasses the trigger price
 - **Negotiated Trade (NT)** Two trading members can negotiate a trade outside the Exchange. To regularize the trade each trading member has to enter the respective order in the system.
 - **Auction order book** stores orders entered by the trading members to participate in the Exchange initiated auctions.



Trading – Order Management

- **Quantity** :- Quantity mentioned should be in multiples of regular lot size for that security. If the quantity for the order is greater than x% of the issue size of the security or is greater than Rs. x value of the order ('x' is as specified by the Exchange) then the order is sent as quantity freeze to the Exchange for approval.
- **Price** :- A user has the option to either enter the order at the default price or overwrite it with any other desired price. In case the user enters an order with a 'Market' price the order takes the last traded price in the respective market as the market price,
- **Circuit Breakers** :- A system to curb excessive speculation in the stock market, applied by the stock exchange authorities. There are 2 types of Circuit Breakers :-
 - **Index-based Market-wide Circuit Breakers** :- The market-wide circuit breakers are triggered by movement of either the BSE Sensex or the NSE S&P CNX Nifty, whichever is breached earlier.
 - **Price Bands** :- Daily price bands of 2%, 5% 10% (either way) on securities as specified by the Exchange & 20% on all remaining scripts
 - No price bands are applicable on scripts on which derivative products are available



Order Types & Conditions

Time Conditions :-

Day

IOC

Quantity Conditions :- An order with a Disclosed Quantity (DQ) allows the user to disclose only a portion of the order quantity to the market.

Price Conditions :-

- **Market:** Market orders are orders for which price is specified as 'MKT' at the time the order is entered.
- **Stop-Loss:** This facility allows the user to release an order into the system, after the market price of the security reaches or crosses a threshold price called trigger price

Trading – Order Modification

- Order Modification :- All orders can be modified in the system till the time they do not get fully traded and only during market hours

Following is the corporate hierarchy for performing order modification

- functionality: -
- A dealer can modify only the orders entered by him.
- A branch manager can modify his own orders or orders of any dealer under his branch.
- A corporate manager can modify his own orders or orders of all dealers and branch managers of the trading member firm.

Order Cancellation

Order cancellation functionality can be performed only for orders which have not been fully or partially traded (for the untraded part of partially traded orders only) and only during market hours.

- ***Single Order Cancellation*** :- Can be done during trading hours either by selecting the order from the outstanding order screen
- ***Quick Order Cancellation*** enable a user to cancel multiple outstanding orders in various trading books during market hours.

Trading – Order Management

- Order Matching

- By Price A buy order with a higher price gets a higher priority and similarly, a sell order with a lower price gets a higher priority.

- By Time If there is more than one order at the same price, the order entered earlier gets a higher priority.

Trade Management

A trade is an activity in which a buy and a sell order match with each other. Matching of two orders is done automatically by the system. Whenever a trade takes place, the system sends a trade confirmation message to each of the users involved in the trade.

- **Trade Modification** The user can use facility to request for modifying trades done during the day only in the quantity field provided the new quantity requested must be lower than the original trade quantity.
- **Trade Cancellation** :- The user can use trade cancellation screen for canceling trades done during the day. The trade cancellation request is sent to the Exchange for approval and message to that effect is displayed in the message window.

Trading Information

The Exchange downloads certain trading related reports and files to the trading member on a regular basis. Following is the list of reports and files downloaded to the members.

- On-line Back up :- Member can take on-line backup of orders and trades for the current trading day only. The backup can be taken during market hours and till approximately 1 hour after the market close time
- Bhav copy :-
- Security Information It contains the updated security list and the latest data on corporate actions in securities.
- Circulars :- As and when issued by NSE, are available to members on the intranet in their respective trading member directory identified by their trading member id.
- Order / Trade Slip The order/trade slips are Confirmation/Modification/
• Cancellation/Rejection slips. The trade and order slips are generated on-line.
- Trade Verification A facility to verify trades is available on the NSE website. on www.nseindia.com Trade details for the last 5 trading days would be available on the website.





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FINANCIAL MARKET REGULATORS



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