
MAGIC INSTITUTE OF
EXCELLENCE
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MBA Finance

FINANCE


Motivation
Solution
Vision
Thinking Outside The Box
Cloud Computing
Investment
Network
Feedback
Idea!
Business Strategy
Success
Support
Teamwork
Jobs
Social Network
Social Media
Technology Innovation
Communication
Supply chain
Leadership
Branding
stability growth

Myths about the word "FINANCE"

- **Finance is only for Finance students**
- **Learning Finance can't help an Engineer**
- **There are only few career options for me**
- **I need an expert to handle my Finance**

Types of Finance

PERSONAL FINANCE

PUBLIC FINANCE

CORPORATE FINANCE

FINANCE MANAGEMENT

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FINANCE MANAGEMENT 1/2

- Overview of Indian Financial System- Instruments, Markets & Institutions
- Concept of Risk & Return, Time Value of Money
- Overview of Corporate Finance & Ratio Analysis
- Capital Budgeting & Working Capital Management
- Sources of Finance & Capital Structure
- Dividends

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FINANCE MANAGEMENT 2/2

- 20 Marks - FFF Evaluation

- FAT

- Finance Talk

- Fun

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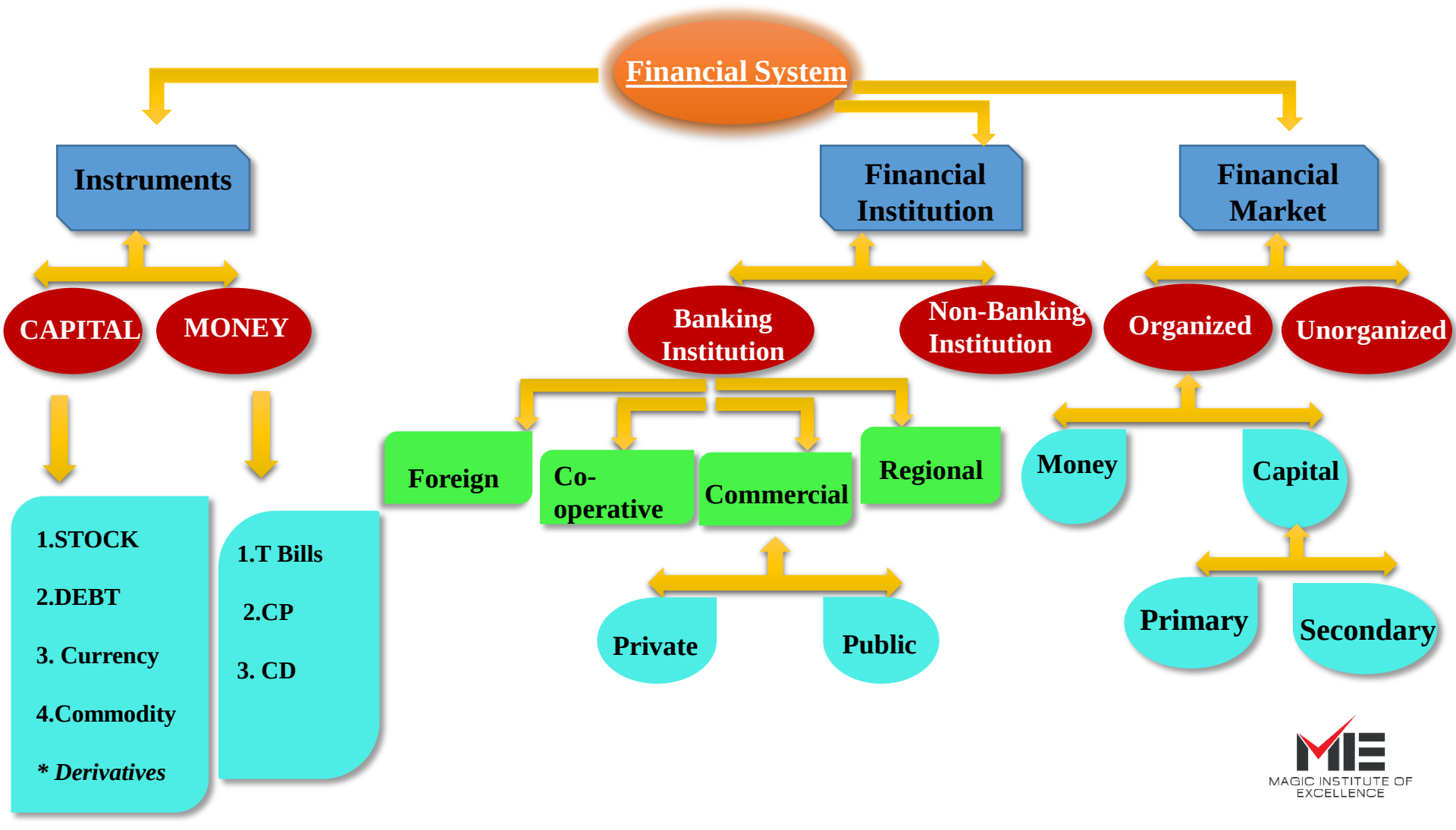
Financial System
Instruments
Financial Institution
Financial Market
CAPITAL
MONEY
Banking Institution
Non-Banking Institution
Organized
Unorganized
Foreign
Co-operative
Commercial
Regional
Money
Capital
Private
Public
Primary
Secondary
1.STOCK
2.DEBT
3. Currency
4.Commodity
* Derivatives
1.T Bills
2.CP
3. CD
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MARKETS
PRODUCTS
REGULATORS
INVESTORS


What is Stock Market ?
Is it going down ?????
Is it going up ?????
What is index?
Even if it is going up what does that mean ????
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BSE – SENSEX

INDICES

NSE – NIFTY

MARKET IS UP
(IN BULL PHASE)

MARKET IS DOWN
(IN BEAR PHASE)

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SEBI
NSDL
BROKERS
BANKS
EXCHANGE

EQUITY MARKETS

Retail
FII
MF
BANKS

IPO
SECONDARY
OTC

ADR-GDR-IDR
GLOBAL MARKETS

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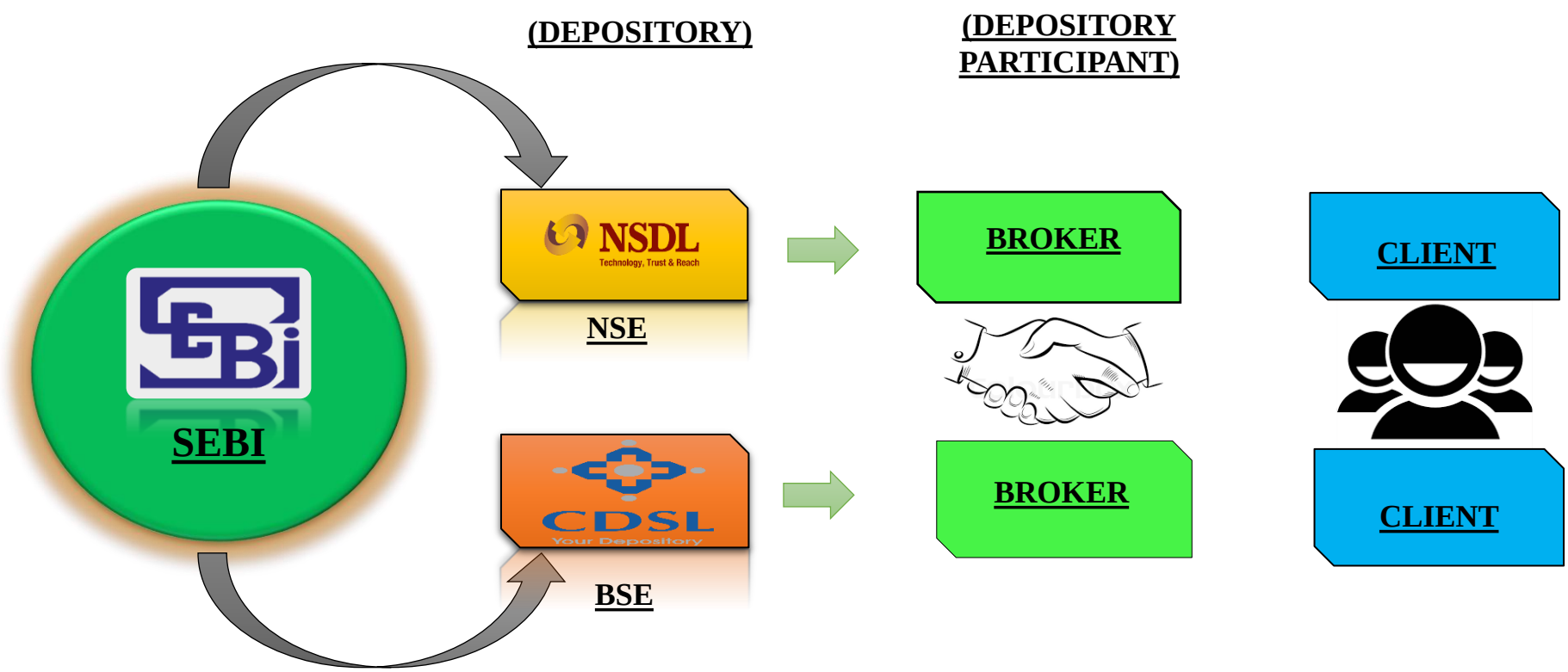
DEPOSITORIES IN INDIA



Mid cap

5000 – 20,000 cr.

Small cap

Below 5000 cr.

Large cap

Higher than 20,000 Cr.

Market Capitalization

=

Market Price Of 1 Share * No. Of Outstanding Share.

NIFTY 500

Nifty 100

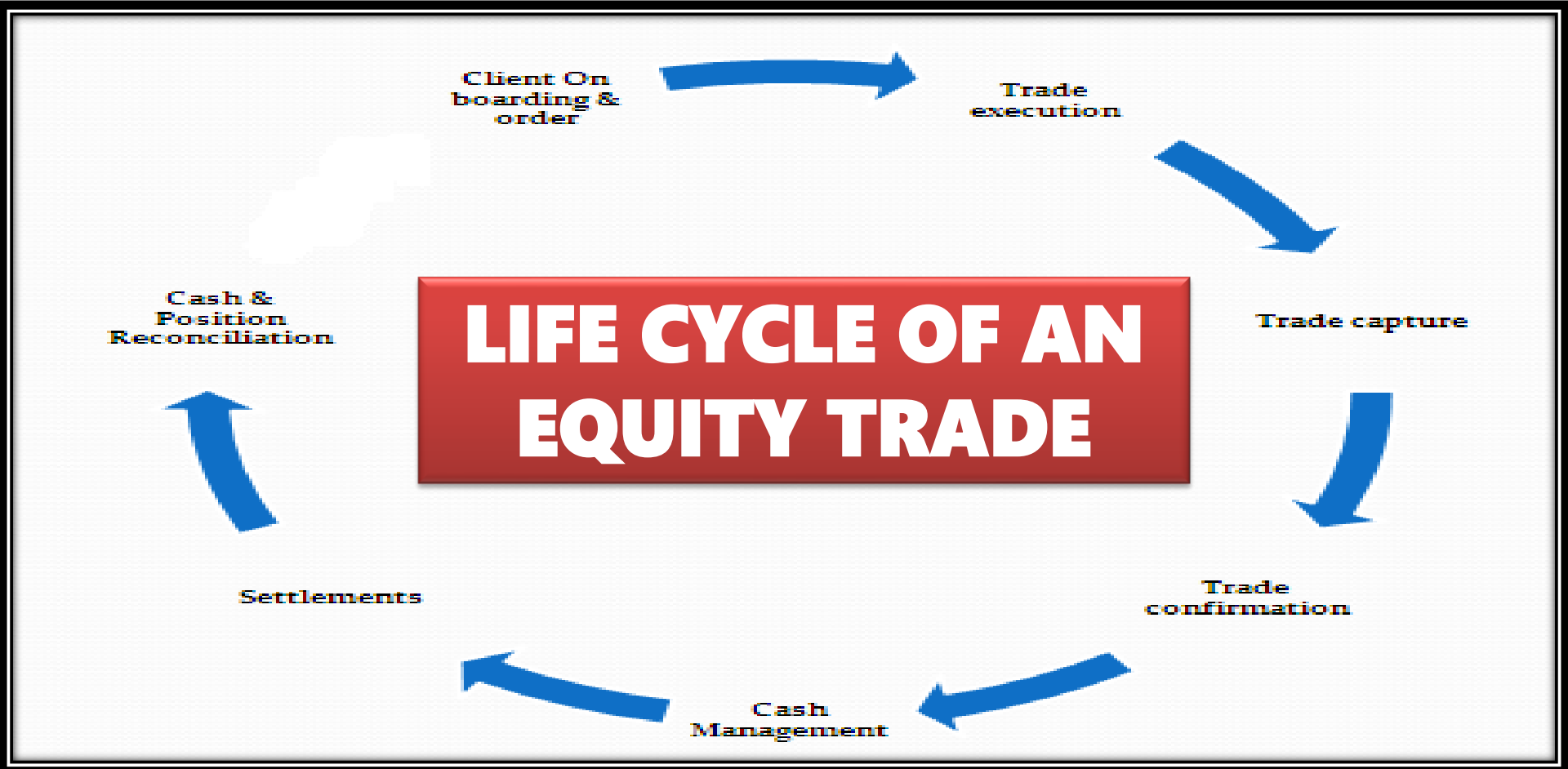
- NIFTY 50 — E.g. Infosys
- NIFTY NEXT 50 — E.g. MRF

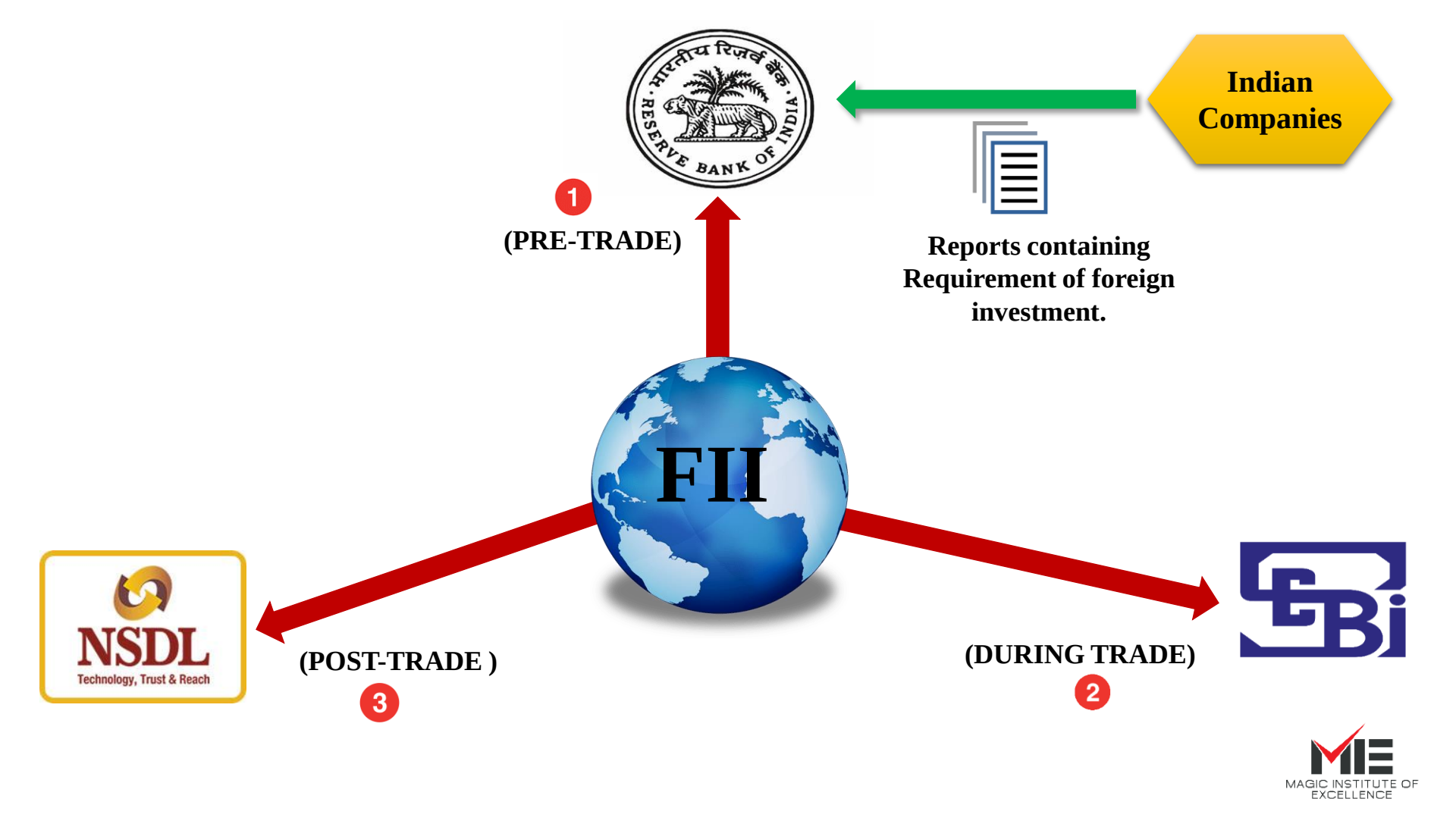
Nifty Mid Cap 150

- NIFTY MIDCAP 50 — E.g. Berger (Since 1760, Lewis, Paint your imagination)
- NIFTY MIDCAP 100 — E.g. DHFL (Changing Rules Changing Lives)

Nifty Small cap 250

- NIFTY SMALL CAP 50 — E.g. BAJAJ
- NIFTY SMALL CAP 100 — E.g. Bombay Dyeing




Indian Companies
Reports containing Requirement of foreign investment.
1
(PRE-TRADE)
FII
NSDL
Technology, Trust & Reach
(POST-TRADE)
3
(DURING TRADE)
2
SEBI
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- : GLOBAL MARKET : -

USA
Dow jones
NASDAQ100
S&P 500

ITALY
FTSE
Italia

INDIA
NSE
BSE

HONG-
KONG
Hang Seng

JAPAN
NIKKEI 225

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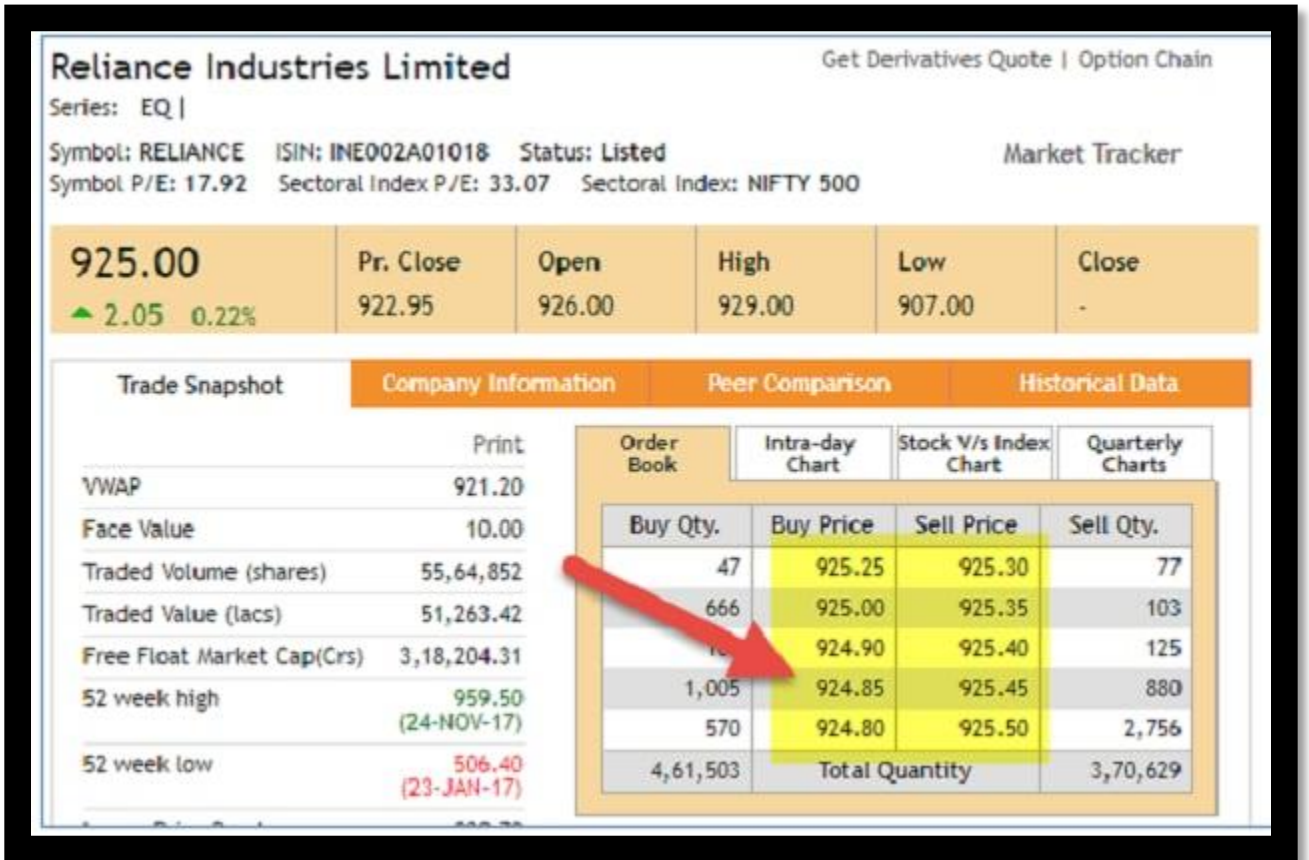
BID - ASK



Reliance Industries Limited

Get Derivatives Quote | Option Chain

Series: EQ |

Symbol: RELIANCE ISIN: INE002A01018 Status: Listed

Symbol P/E: 17.92 Sectoral Index P/E: 33.07 Sectoral Index: NIFTY 500

Market Tracker

925.00 ▲ 2.05 0.22%	Pr. Close	Open	High	Low	Close
	922.95	926.00	929.00	907.00	-

Trade Snapshot | Company Information | Peer Comparison | Historical Data

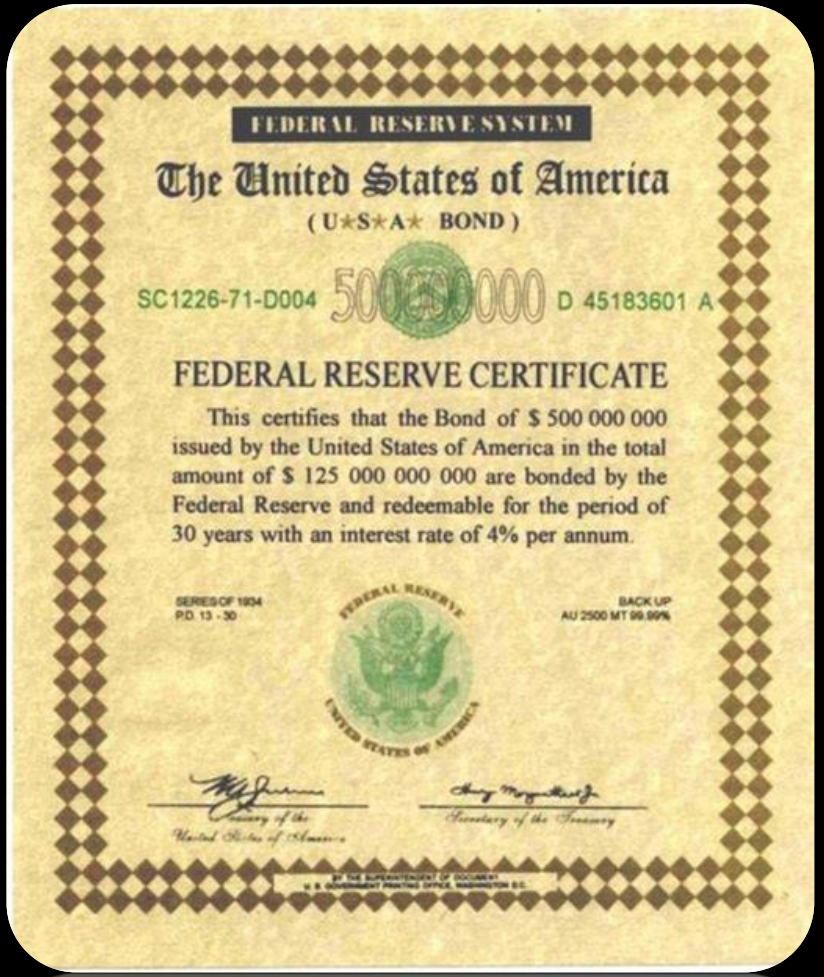
	Print
VWAP	921.20
Face Value	10.00
Traded Volume (shares)	55,64,852
Traded Value (lacs)	51,263.42
Free Float Market Cap(Crs)	3,18,204.31
52 week high	959.50 (24-NOV-17)
52 week low	506.40 (23-JAN-17)

Order Book | Intra-day Chart | Stock V/s Index Chart | Quarterly Charts

Buy Qty.	Buy Price	Sell Price	Sell Qty.
47	925.25	925.30	77
666	925.00	925.35	103
[illegible]	924.90	925.40	125
1,005	924.85	925.45	880
570	924.80	925.50	2,756
4,61,503	Total Quantity		3,70,629


BID
Price at which the buyer is willing to pay
SPREAD
Difference between the Bid and Ask price
ASK
Price at which the seller is willing to sell

BONDS


FEDERAL RESERVE SYSTEM
The United States of America
(U★S★A★ BOND)
SC1226-71-D004
D 45183601 A
FEDERAL RESERVE CERTIFICATE
This certifies that the Bond of $ 500 000 000 issued by the United States of America in the total amount of $ 125 000 000 000 are bonded by the Federal Reserve and redeemable for the period of 30 years with an interest rate of 4% per annum.
SERIES OF 1934
P.D. 13 - 30
BACK UP
AU 2500 MT 99.99%
FEDERAL RESERVE
UNITED STATES OF AMERICA
Secretary of the Treasury

Introduction to BONDS

- A bond is a debt security.
- A bond is a debt investment in which an investor loans money to an entity which borrows the funds for a defined period of time at a variable or fixed interest rate.
- Bonds are used by companies, municipalities, states and sovereign governments to raise money and finance a variety of projects and activities.
- Owners of bonds are debt-holders, or creditors, of the issuer.
- Bonds are commonly referred to as fixed-income securities and are one of the three main generic asset classes, along with stocks (equities) and cash equivalents.

Introduction to BONDS

In Simple Language:

- *When you purchase a bond you are lending money to a government, municipality, corporation, federal agency or other entity known as the issuer. In return for the loan, the issuer promises to pay you a specified rate of interest during the life of the bond and to repay the face value of the bond (the principal) when it "matures," or comes due.*

Features of Bonds

Maturity

Par Value

Coupon Rate

Currency Denomination

- Maturity is the time at which the bond matures and the holder receives the final payment of principal and interest.
- The "term to maturity" is the amount of time until the bond actually matures.
- There are 3 basic classes of maturity:
  - ✓ Short-Term Maturity - One to five years in length
  - ✓ Intermediate-Term Maturity - Five to twelve years in length
  - ✓ Long-Term Maturity - Twelve years or more in length

Features of Bonds

- Maturity
- **Par Value**
- Coupon Rate
- Currency Denomination

- Par value is the dollar amount the holder will receive at the bond's maturity.
- It can be any amount but is typically $1,000 per bond. Par value is also known as principle, face, maturity or redemption value.
- Bond prices are quoted as a percentage of par.

Features of Bonds

- Maturity
- Par Value
- **Coupon Rate**
- Currency Denomination

- A coupon rate states the interest rate the bond will pay the holders / owners each year.
- To find the coupon's dollar value, simply multiply the coupon rate by the par value. The rate is for one year and payments are usually made on a semi-annual basis.
- Some asset-backed securities pay monthly, while many international securities pay only annually.
- The coupon rate also affects a bond's price. Typically, the higher the rate, the less price sensitivity for the bond price because of interest rate movements.

Features of Bonds

- Maturity
- Par Value
- Coupon Rate
- **Currency Denomination**

- Currency denomination indicates what currency the interest and principle will be paid in.
- There are two main types:
  - **Dollar Denominated** - refers to bonds with payment in USD.
  - **Non-Dollar-Denominated** - denotes bonds in which the payments are in another currency besides USD.

RISK of Investing in BONDS

- **Interest Rate Risk**
- Re-Investment Risk
- Inflation Risk
- Market Risk

- When Interest rate rise, the bond price falls; conversely, when rates decline bond prices rise.
- Longer the time for Bond maturity, the greater its interest rate risk

- Default Risk
- Call Risk
- Liquidity Risk
- Event Risk

RISK of Investing in BONDS

- Interest Rate Risk
- **Re-Investment Risk**
- Inflation Risk
- Market Risk

- When Interest rate are declining, investors have to re-invest their interest income and any return on principal, t lower prevailing rates
- It can be scheduled or unscheduled, process is similar

- Default Risk
- Call Risk
- Liquidity Risk
- Event Risk

RISK of Investing in BONDS

- Interest Rate Risk
- Re-Investment Risk
- **Inflation Risk**
- Market Risk

- Inflation decreases value of money.
- It reduces purchasing power of the bond investor's future interest, payments and principals.
- Inflation also leads to higher interest rate, which intern leads to lower bond price

- Default Risk
- Call Risk
- Liquidity Risk
- Event Risk

RISK of Investing in BONDS

- Interest Rate Risk
- Re-Investment Risk
- Inflation Risk
- **Market Risk**

- The risk that the bond market as a whole would decline, bringing the value of individual securities down with it regardless of their fundamental charachteristics

- Default Risk
- Call Risk
- Liquidity Risk
- Event Risk

RISK of Investing in BONDS

- Interest Rate Risk
- Re-Investment Risk
- Inflation Risk
- Market Risk

- The possibility that the bond issuer will be unable to make interest or principal payments when they are due.
- If these payments are not made according to the agreement in the bond documentation, the issuer can defaults

- **Default Risk**
- Call Risk
- Liquidity Risk
- Event Risk

RISK of Investing in BONDS

- Interest Rate Risk
- Re-Investment Risk
- Inflation Risk
- Market Risk

- Some corporates, municipal and agency bonds have a ‘Call Provision’ entitling their issues to redeem them at a specific price on a date prior to maturity.
- If the rates are declining in such scenario, than the investor’s principal needs to be return the sooner than expected.

- Default Risk
- **Call Risk**
- Liquidity Risk
- Event Risk

RISK of Investing in BONDS

- Interest Rate Risk
- Re-Investment Risk
- Inflation Risk
- Market Risk

- The Risk that the investor may have difficulty finding the buyer when they want to sell and may be forced to sell a significant discount to market value they are due and therefore default.

- Default Risk
- Call Risk
- **Liquidity Risk**
- Event Risk

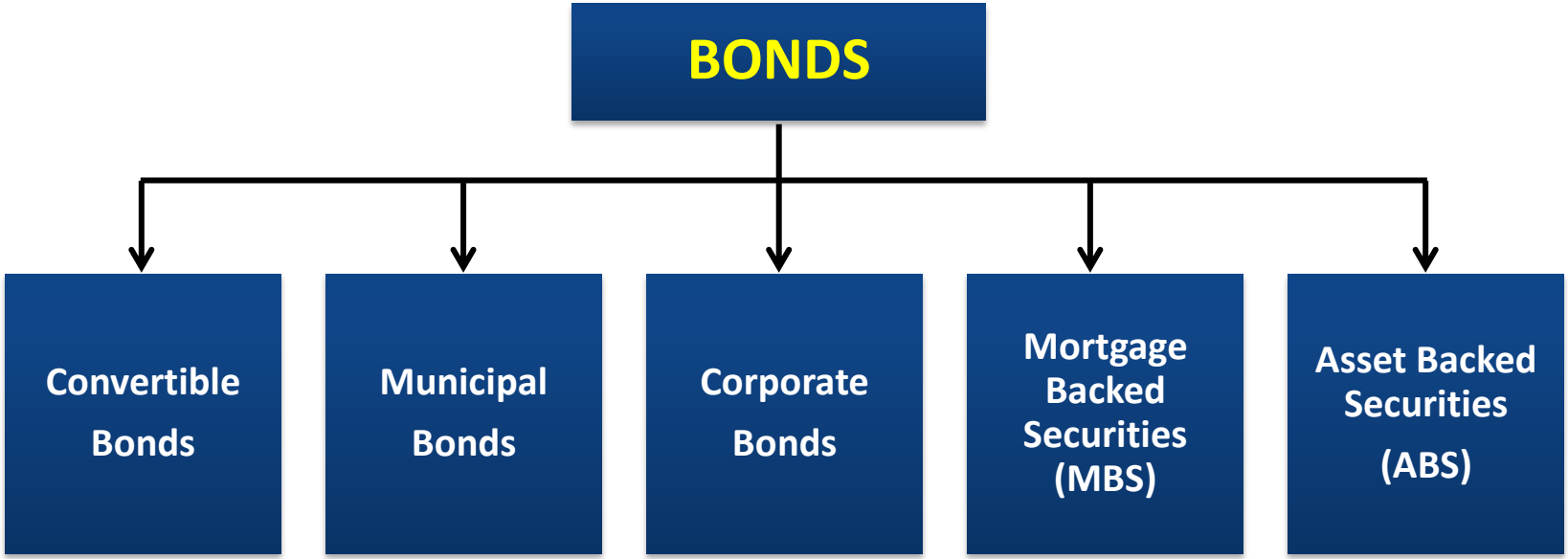
RISK of Investing in BONDS

- Interest Rate Risk
- Re-Investment Risk
- Inflation Risk
- Market Risk

- The risk that the bond issuer undertakes that increases the debt load, causing its bond value to fall
- Event risk can also occur due to natural or industrial accidents or regulatory change.

- Default Risk
- Call Risk
- Liquidity Risk
- **Event Risk**

Types of BONDS



Convertible Bonds - Introduction

- Convertible bonds are a flexible financing option for companies and are particularly useful for companies with high risk/reward profiles
- Convertible Bonds give bondholders the right but not the obligation to convert their bonds into a predetermined number of shares at predetermined dates prior to the bond's maturity.
- Convertible bonds also allow the companies issuing them to lower their borrowing costs.
- For example, a $1,000 bond may be converted for 20 shares of stock if the company's stock is valued at around $50 per share.

Types of Convertible Bonds (1/2)

1

Vanilla Convertible Bond

- The basic or vanilla convertible bond is issued with a conversion price.
- This price that the underlying stock must attain to make the conversion profitable.
- They are issued with conversion prices that are substantially higher than the underlying stock price.

2

Embedded Option Bonds

- Convertibles can be embedded with a put option, a call option, or both.
- A call option gives the issuer the right to forcibly redeem the bonds before maturity for a preset price.
- Put options give the investor the right to sell the bond back to the issuer for an agreed-on price.

3

Mandatory Convertible Bond

- Companies issue mandatory convertible bonds with specified conversion dates.
- Investors must convert their bonds to the underlying stock no later than this date.
- These bonds usually have relatively short durations.

Types of Convertible Bonds (2/2)

4

Exchangeable Bonds

- The special feature of an exchangeable bond is that the underlying stock and the bond are from different issuers.
- Exchangeable bonds can have all the other features of convertible bonds.

5

Contingent Convertibles

- These bonds must attain a price above the conversion price before they can be converted.
- The required price is usually some fixed percentage above the conversion price, and the stock must trade at the required price for a specified period before conversions are allowed.

6

Foreign Currency Convertible Bond

- These convertibles are denominated in a currency other than the one used in the issuer's country.
- This feature would make the bond more attractive to because interest payments would not be subject to fluctuations in the exchange rate

Municipal Bonds

- Municipal bonds (also known as “munis”) are debt securities issued by states, cities, counties.
- Municipal Bonds are attractive to many investors because the interest income is exempt from federal income tax, and in many cases, state and local taxes as well
- Maturity date is generally very long term
- Short-term bonds mature in one to three years, while long-term bonds won’t mature for more than a decade

Types of Municipal Bonds

1

General Obligation bonds

- These bonds are issued by states, cities or counties and not secured by any assets.
- Instead, general obligation are backed by the “full faith and credit” of the issuer, which has the power to tax residents to pay bondholders.

2

Revenue bonds

- These bonds are not backed by government’s taxing power but by revenues from a specific project or source, such as highway tolls or lease fees.
- Some revenue bonds are “non-recourse”, meaning that if the revenue stream dries up, the bondholders do not have a claim on the underlying revenue source.

Corporate Bonds

- Corporate Bonds are debts issued by industrial, financial and service companies to finance capital investment and operating cash flow.
- A corporate bond is a bond issued by a corporation in order to raise financing for a variety of reasons such as to ongoing operations, M&A, or to expand business.
- For example, you purchase a 5% bond (that is, a bond with a 5% coupon rate) from Company XYZ. The bond has a face value of $1,000. This means you will receive $50 in interest payments per year ($1,000 x 0.05). Corporate issuers usually make payments in six-month installments, meaning in our case that you would receive $25 in say, January, and the other $25 in June. The prospectus, the indenture agreement and the bond certificate all disclose the payment schedule.

Dirty price Vs Clean Price

- Dirty Price include Accrued Interest.
- Clean price is the Actual Bond Price.

Accrued Interest

- Coupon * No of Days since the last Coupon payment/ Day Count base.
- Exclude the Value date or Settlement Date.
- But Include the Last coupon date.

Example

- UK Bond pays a Coupon of 7 % and matures in 2015.The Coupon is paid semi annually on 1st Jan& 1st July. The Bond is sold for 96.5 value date on 30th March 2011

Since the last coupon date ,88 days have passed ,so the Accrued Interest would be :

Accrued Interest = 7 * 88/365 * 0.5 = 0.843836

So the Dirty price is = 96.5 + 0.843836 = 97.343836

And Clean price is 96.5 only which was the price of Bond.

Jan	31	Included 1st Jan
Feb	28	
March	29	Excluded 30th March
	88	

FORWARD
FUTURES
OPTIONS
SWAPS

BET
ASSETS
EXCHANGE
OTC

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