All the contents is sourced from google and website of different brokers (Angel, Nirmal Bang, zerodha etc) in India to get basic terminology of Indian Stock Market.

There are two main stock exchanges that enjoy the bulk of the trading volume. One is the Bombay Stock Exchange, abbreviated as BSE, while the other is the National Stock Exchange, also known as NSE.

Whether you are an investor or a trader, it is essential to understand what these stock exchanges are and learn the key difference between BSE & NSE. Here's some valuable information on these two stock exchanges that can help you understand and better appreciate the difference between NSE and BSE.

What is NSE?

Founded in the year 1992, the National Stock Exchange (NSE) is India's biggest stock exchange in terms of market capitalization. The NSE was the first ever stock exchange to have brought in the system of electronic and fully automated trading to India. In just a few years, this electronic system of trading has completely replaced the paper-based share trading system involving physical share certificates.

The stock exchange also has a benchmark index known as NIFTY (National Fifty). The NIFTY index derives its value from 50 of the biggest (in terms of market capitalization) and most frequently traded companies listed in the NSE. Furthermore, NSE has been very recently adjudged as the world's largest exchange in the derivatives segment in terms of the number of contracts traded.

What is BSE?

The Bombay Stock Exchange (BSE) is the older counterpart to the National Stock Exchange. The BSE started its operations in the year 1875 under the name of "The Native Share & Stockbrokers Association." This makes the BSE the oldest stock exchange in all of Asia. Unlike the NSE, the Bombay Stock Exchange shifted from the open-cry system to fully electronic trading (BOLT) only in 1995.

Like NIFTY, the Bombay Stock Exchange also has its own benchmark index known as SENSEX (Sensitive Index). This index was first introduced in the year 1986 and is essentially a weighted average value of the top 30 companies listed in the stock exchange.

What Is Equity Market?

Equity market is a place where stocks and shares of companies are traded. The equities that are traded in an equity market are either over the counter or at stock exchanges. Often called as stock market or share market, an equity market allows sellers and buyers to deal in equity or shares in the same platform.

First things first, it is important to begin with a good understanding of what is equity market in the Indian context. Equity market, often called as stock market or share market, is a place where shares of companies or entities are traded. The market allows sellers and buyers to deal in equity or shares in the same platform.

In the global context, equities are traded either over the counter or at stock exchanges. There are multiple buyers and sellers of the same equity/share. Hence, you stand a good chance to strike a nice deal at the equity market. If you want to begin online equity trading in India, you must get a demat account.

Equities are mostly traded on the stock exchanges in India. In the Indian stock market, equities are available for trading at the National Stock Exchange (NSE) , the Bombay Stock Exchange (BSE) and the latest entrant, Metropolitan Stock Exchange of India (MSE). Shares of stock market listed companies are bought/sold.

Equity share trading is roughly in two forms - spot/cash market and futures market. These are the different types of equity market in India. The spot market or cash market is a public financial market in which stocks are traded for immediate delivery. The futures market is a place where the shares' delivery is due later.

What are Futures and Options?

A Future is a right and an obligation to buy or sell an underlying stock (or other assets) at a predetermined price and deliverable at a predetermined time. Options are a right without an obligation to buy or sell equity or index. A Call Option is a right to buy while a Put Option is a right to sell.

So, how do I benefit from options and futures?

Let us look at futures first. Assume that you want to buy 1500 shares of Tata Motors at a price of Rs.400. That will entail an investment of Rs.6 lakhs. Alternatively, you can also buy 1 lot (consisting of 1500 shares) of Tata Motors. The advantage is that when you buy futures, you only pay the margin which (let us say) is around 20% of the full value. That means your profits will be five-fold that of when you are invested in equities. But the losses could also be five-fold and that is the risk of leveraged trades.

An Option is a right without an obligation. So, you can buy a Tata Motors 400 Call Option at a price of Rs. 10. Since the lot size is 1,500 shares, your maximum loss will be Rs. 15,000 only. On the downside, even if Tata Motors goes up to Rs .300, your loss will only be Rs. 15,000. On the upside, above Rs. 410 your profits will be unlimited.

There is no 24-hour stock trading system yet. The normal trading time for equity market is between 9:15 am to 03:30 pm, Monday to Friday. On Saturday and Sunday, trading does not happen unless there are special circumstances.

Apart from weekends and non-business days, trading does not stop. You can check equity trading holidays on NSE or BSE website.

What is a bulk deal?

Let's begin by understanding the definition of what bulk deal in stock market is.

A bulk deal in the stock market is one in which the total quantities of shared purchased or sold exceeds over 0.5 per cent of the equity shares of a company listed on the exchange. A market-driven deal, it occurs only when brokers provide a trading window during the regular trading hours.

What is a block deal?

Now that we know what bulk deal is, let's understand what is block deal in stock market, starting with the definition.

A block deal is defined as a trade wherein more than 500,000 shares or shares worth a value exceeding Rs. 5 Crores, of a company listed on the exchange, are traded. Block deals may only be conducted during a trading window in the early trading hours. As such, the deal must go through between 9.15 AM and 9.50 AM, i.e. the time when the trading window is open.

Bull Market (Bullish) – If you believe that the stock prices are likely to go up then you are said to be bullish on the stock price. From a broader perspective, if the stock market index is going up during a particular time period, then it is referred to as the bull market.

Bear Market (Bearish) – If you believe that the stock prices are likely to go down then you are said to be bearish on the stock price. From a broader perspective, if the stock market index is going down during a particular time period, then it is referred to as the bear market.

Trend – The term 'trend' usually refers to the general market direction, and its associated strength. For example, if the market is declining fast, the trend is said to be bearish. If the market is trading flat with no movement then the trend is said to be sideways.

52 week high/low – 52 week high is the highest point at which a stock has traded during the last 52 weeks (which also marks a year) and likewise 52 week low marks the lowest point at which the stock has traded during the last 52 weeks. The 52 week high and low gives a sense of the range within which the stock has traded during the year. Many people believe that if a stock reaches 52 week high, then it indicates a bullish trend for the foreseeable future. Similarly, if a stock hits 52 week low, some traders believe that it indicates a bearish trend for a foreseeable future.

All-time high/low – This is similar to the 52 week high and low, with the only difference being the all-time high price is the highest price the stock has ever traded from the time it has been listed. Similarly, the all-time low price is the lowest price at which the stock has ever traded from the time it has been listed.

Upper Circuit/Lower Circuit – The exchange sets up a price band at which the stock can be traded in the market on a given trading day. The highest price the stock can reach on the day is the upper circuit limit and the lowest price is the lower circuit limit. The limit for a stock is set to 2%, 5%, 10% or 20% based on the exchange's selection criteria. The exchange places these restrictions to control excessive volatility when a stock reacts to certain news related to the company.

Long Position – Long position or going long is simply a reference to the direction of your trade. For example, if you have bought or intend to buy Biocon shares then you are said to be long on Biocon or planning to go long on Biocon respectively. If you have bought the Nifty Index with an expectation that the index will trade higher then essentially you have a long position on Nifty. If you are long on a stock or an index, you are said to be bullish.

Short Position – The act of selling a security at a given price without possessing it and purchasing it later at a lower price is known as shorting. This is also termed as short selling. Shorting is largely done with the motive of earning profits by purchasing the securities at a lower price later on. Once shorting is done, the purchase of the same securities in order to book profit/loss is known as short covering. Shorting in cash segment is possible only on a intra day basis and not overnight.To carry overnight shorts you have to trade in derivative segment (futures).

Square off – Square off is a term used to indicate that you intend to close an existing position. If you are long on a stock squaring off the position means to sell the stock. Please remember, when you are selling the stock to close an existing long position you are not shorting the stock!

When you are short on the stock, squaring off a position means to buy the stock back. Remember when you buy it back, you are just closing an existing position and you are not going long!

Intraday position – This is a trading position you initiate with an expectation to square off the position within the same day.

OHLC – OHLC stands for open, high, low and close. We will understand more about this in the technical analysis module. For now, open is the price at which the stock opens for the day, high is the highest price at which the stock trade during the day, low is the lowest price at which the stock trades during the day and the close is the closing price of the stock. For example, the OHLC of ACC on 17th June 2014 was 1486, 1511, 1467 and 1499.

Volume – Volumes and its impact on the stock prices is an important concept that we will explore in greater detail in the technical analysis module. Volumes represent the total transactions (both buy and sell put together) for a particular stock on a particular day. For example, on 20th June 2010, the volume on ACC was 5,33,819 shares.

Dividend - A share is a portion of the company and when the company makes profits, you often receive a part of it. This is the idea behind dividends. Every year, companies distribute a small amount of profits to investors as dividends. This is the primary source of income for long-term shareholders – those who don't sell the stock for years together.

Circuit Filters - Some stocks are more volatile than others. Too much volatility is not good for investors. To curb this volatility, SEBI has come up with the concept of circuit filters. The market regulator has specified the maximum limit the price of a stock can move on a given day. NSE define circuit filters in 5 categories including 2%, 5%, 10%, 20% and no circuit filter.

Market Capital - Different companies issue varied amounts of shares when they get listed. The value of one share also differs from that of another company's stock. Market capitalization smoothens out these differences. It is the market stock price multiplied by the total number of shares held by the public. It, thus, reflects the total market value of a stock taking into consideration both the size and the price of the stock. For example, if a stock is priced at Rs. 50 per share, and there are 1,00,000 shares in the hands of public investors, then its market capitalization stands at Rs. 50,00,000

Stocks on the basis of market capitalization:

Stocks are also classified on the basis of the market value of the total shareholding of a company. This is calculated using market capitalization, where you multiply the share price by the total number of issued shares. There are three kinds of stocks on the basis of market capitalization:

- **Small-cap stocks:**
  - 'Cap' is the short form of 'Capitalization'. As the name suggests, these are stocks with the smallest values in the market. They often represent small-size companies. Generally companies that have a market capitalization in the range of up to Rs. 250 crore are small cap stocks.
  - These stocks are the best option for an investor who wishes to generate significant gains in the long run; as long he does not require current dividends and can withstand price volatility. This is because small companies have the potential to grow rapidly in the future. So, an investor may profit by buying the stock when it is cheaply available in the company's initial stage. However, many of these companies are relatively new. So, it is difficult to predict how they will perform in the market.

  - Being small enterprises, growth spurts dramatically affect their values and revenues, sending prices soaring. On the other hand, the stocks of these companies tend to be volatile and may decline dramatically.

- **Mid-cap stocks:**
  - Mid-cap stocks are typically stocks of medium-sized companies. Generally, companies that have a market capitalization in the range of Rs. 250 crore and Rs. 4,000 crore are mid-cap stocks.
  - These are stocks of well-known companies, recognized as seasoned players in the market. They offer you the twin advantages of acquiring stocks with good growth potential as well as the stability of a larger company.

  - Mid-cap stocks also include baby blue chips – companies that show steady growth backed by a good track record. They are like blue-chip stocks (which are large-cap stocks), but lack their size. These stocks tend to grow well over the long term.

- **Large-cap stocks:**
  - Stocks of the largest companies in the market such as Tata, Reliance, ICICI are classified as large-cap stocks. They are often blue-chip firms.
  - Being established enterprises, they have at their disposal large reserves of cash to exploit new business opportunities. However, the sheer size of large-cap stocks does not let them grow as rapidly as smaller capitalized companies and the smaller stocks tend to outperform them over time.

  - Investors, however, gain the advantages of reaping relatively higher dividends compared to small- and mid-cap stocks, while also ensuring the long-term preservation of their capital.