Market

* Risky! : Long term : Strong growth
* Party winning, Sensex ↑ (Any Connection ?) → more Foreign investment → Stable govt, policies

Long term capital gains > 1yrs.

Dividend :

* FD, Security based debentures : won't vary usually/may be
  Advance : 7% means (B/w can't change)
  May say : from now on (new cust) : 5%
  Bank : must given by Banks
* Dividend : Not mandatory (shares) : (google, Apple) : past
* US : FD rates (2-3%), loan (4%)

Sales ↑
Profit ↑, share price ↑

Long term capital gain:

* > 1years
* Low tax compared to STGC (limits)

Dividend is paid on what? : 100%, 200% dividend of what ?

* Face value : Org. price : brought by promoters (Starter/founder)

market value ?
Britannia : >3100
No !

eg: Reliance : Dhrubai Ambani
(may be multiple promoters)!

Face value : ₹2

eg: ABC limited: (each ₹1L) : Init contribution!

* what the benefit ? : Share holders
* Initial : Need to allot shares (Receipt : Share certificate : name, no. of shares (or) ₹ worth)

who decides Face value?

* Not same for all Companies.
* Promoters (meet) & decides face value mutually!

Share Certificate
Fair value : ₹2
No. of Shares : 50000

Why Demat?

* Huge Company – Listed (NSE, BSE) : must Demat
* physical Certificate : SEBI (Apr 2019 : last date) but still in physical format
* It is mandatory : To tell customers/Share holders how many shares : still in physical format!
  (1% atleast : large companies!)

* Physical → Dematerialize (To avoid wasting the share)!
* Apr 2019: Ended date to dematerialize!

1000% dividend : 10x 2 = ₹20

Demat : Dematerialized

* e-share (CVBC)!

'I have invested/park of other's success story It's time to start mine & more people park of mine'

Radhakrishnan Damani
DMart : 299/share

Private limited → (Lmt or public Lmt) / Lest % in market!

Starters : ₹2 face value
Say 5yrs later (success) : Am I going to open same ₹2
Say : I'm saying Its ₹299 (Buy/go!)

* Issue shares at premium to share holders : (Before listing)
* Why? : Belief may listed at higher price

DMart : ₹600

listed price.

Stock brokers:

* Motilal Oswal
* Angel
* Bhoomkhan
* Zerodha

Small & Unknown Companies * grow big ↑ profit ↑ * Fail ↑ Loss ↑

Common sense works best in stock market

1. Britannia : who not eats it! (Death ?, Innovate ?, Sales : ↑ ?)

Turnover : Sales (Profit) : Turnover − Expenses Before tax

Top line growth : Turnover
Bottom line growth : profit after tax!

Britannia:

	2014	2015	2016	2017	2018	2019
T.O :	6348	7269	7881	8582	9,282	
	543	883	1149	1251	1445	
Profit (Rs) :	370	622	763	844	948	
	843	277	2686	3374	4970	3110

★ Sales↑, profit↓ : when expense ↑

why 4970 → 3110

★ Stock Split : Split face value from 2 → 1

5000 stocks → 10000 stocks
Before → After

Before : 1L → 50000 stocks (F.V = 2)
After : 1L → 1L stocks (F.V = 1)

3374 → 4970 (1 share) → 3110 (1 share) (I have 2 shares)
Split

32%

$\frac{6220 - 4970}{6220}$ = 20% returns

Britannia : popular (70% > used by households) : 79 countries, (13 countries new)
Bakery : Biscuits, Cake, Bread, Rusk, Toast, Croissants

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moneycontrol.com | moneybuy.com

(3:30)
★ closing price, previous close
Today (Yesterday)

LTP : Latest Traded Price : Traded (last trade)!

★ vary during trade hours (9:30 – 3:30)

NSE 1244.65 | BSE 1246.85

Demand & Supply : on NSE & BSE

★ open price : (9:00 : pre opening market session) :

★ Market Time : 9:15 A.m – 3:30 A.m.
★ 9:00 – 9:15 A.m :

* 9:15 : Multiple orders (3:30 PM – Today: 9:14) → Trades!
(Lead to big price variation)

* 9:15 – 9:30 (3% fluctuation)! Big movement. (Sensex ≈ 1000 points)

Avoid losses of small Investors:

* 9:00 – 9:15 A.M : pre opening market session
* Can able to place orders/sell (Not executed: 9:16 AM)

* 9:00 to 9:07 : Crores or orders (orders placed)
* 9:08 to 9:11 : Matching of orders (e-system)
* Last 4 minutes : can able to judge movement

Why good: Small Investors : can guess trend, Stability ↑
Absorb Volatility

9:00 – 9:15 → Pre opening
9:16 – 3:30 → market
3:31 – 4:00 → Retail Investors (No!)

After market order
we can place orders (4 – 9:00 AM) : But executed at 9:16 AM

31st March Closing Balance = 1st Apr opening balance

Stock market:

1246.50 ≠ 1244.50
(closing) (open)
↳ After market order (↑ Demand, supply (not strong)) & vice versa!

1244 △ (5) : Gap up opening!
↳ up

1240 ▽ (5) : Gap down opening!
↳ down

Unch : Unchanged : Rare
(Close = Open price)

* 3:30 - 4:00 (Broker's market timing)

BID price:

* Buy

Bid price (QTY)

1244.65 (26)

↳ No. of buy orders

Offer price (QTY)

1244.65 (40)

↳ No. of sell orders

1 order: any no. of Volume (2/100/1000...)

Volume:

* Number of shares (traded during day)

Sold : 100

Bought : 100

Traded : 100

Avg volume : over time

* why drop in volume? (many reasons)

Bid price : Buy price

Offer price : Sell price

Today's Low/High : 1238.00 — 1264.05

52 week low/high (1yr) : 1183.40 — 1459.00

L/U Price band 1121.40 — 1370.50

↳ Upper & Lower limit of bidding!

Corporate action

* Board Meetings: (managers/directors)
* AGM/EGM: Annual/Extraordinary General meeting: with share holders.
* Dividend
* Bonus : 1:1 (1 stock for every 1 stock held)
* 1:2 → Every 2 shares held, 1 share bonus.
* 8:25 → For every 25 hold, 8 free shares

Splits : 10 → 5
(Face value)

Bonus announcement: much prior (8-5-2018)

Ex-Bonus date: 21-06-2018

Record Date: 23-06-2018 (In this date, I have?): Then bonus!

TW 21-06-2018: I can buy

23-06-2018: must have stocks

T+2 days

Pre session prices: adjustments 9:00-9:15

1:1 bonus (on 23-06-18)

* price half: 1200 → 600

Need to buy on/before ex bonus date

T+2 days: must have before Ex-Bonus date (atleast 1 day)

T+1 day: can buy on / before (atleast 1 day)

* Record date: Share stands trading at a revised price!

*

Corporate actions

* AGM/EGM: Bonus, rights, split, merger, dividend, warrant

* Impact price → stock benefit
→ cash benefit

Record date: stock trading at new value

Cum basis: Incorporates Benefit of corporate in its price

ex basis: Buyer no longer has the benefit of corporate action

Cum basis: Before Split/Bonus

ex basis: After

Price adjustment: Adjust on last day on Cum basis Security (After close)

value remain same! (cum & ex dates)

Role of Secondary market:

* Investor to Investor (Bought & Sold) → Stock exchange, Investor, Issuer, Fin intermediaries, Regulator

* Company involves in primary market

SE: Platform for Investors (buy/sell) Securities from each other.

NSE, BSE, MSEI (multi commodity exchange) → gold, silver, Foodgrains, ...

Identity (unknown): Who I sell/bought.

Members:

★ Investors: trade in secondary market only through members of SE.
(via broker: create trading, Demat, Savings account)

Categories of Investors

- RII (Retail Indiv Investors) < 2L
- HNI (High networth Indiv) > 2L
- DII: Domestic Institutional inv → ICICI bank, Insurance Companies (LIC), mutual funds
- FII/FPI: Foreign Insti/Portfolio inv → Foreign funding → (₹)

Issuers: eg: Britannia

Trading, clearing, Settlement:

★ e-order (matching System, Order executed)

★ T+1 day Settlement (Bought in Tuesday: Demat (Stock reach) in Wednesday)

Clearing Corporation:

★ verify, disperse to respective accounts

(like clearing house (cheque) of Banks)

★ eg: NSCCL $\xrightarrow{\text{for}}$ NSE

ICCL ⟶ BSE

Metropolitan clear ⟶ MSEI

Depositories & Depository participants:

★ for securities (to be eligible to trade) in Sec. market:

e-form / demat form

★ NSDL / CSDL: 2 depositories (in India)

↳ physical to demat form! (Broker ⟶ Company (form) phy → Demat ↓ Depository)

(hold shares, debentures, mutual funds, ...) e-form

★ DP: Brokers

★ NSDL / CSDL: doesn't know Indiv. Investors.

↓

Broker! (DP): map my acc with NSDL and CSDL or atleast anyone

* Company doesn't able to know who buys stocks (unnecessarily)
  * (Say: > 5% need to inform Company)
  * SE knows who bought from whom? : forwards to depository
  * Depository maintains record in e-format!

$$\boxed{\text{NSE/BSE} \xrightarrow[\text{Data}]{} \text{DP} \xrightarrow[\text{Data}]{} \text{Depository}}$$

why company wants data?

* Dividend | Bonus
* mandatory disclosure: ≥ 5% to the Company! (SEBI act)

Contract note : 1) No. of shares
2) Trade/Settlement date
3) order no, price, taxes,...
] with in 24hrs

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* Share Certificate:
  * Say: 10 → 5 (face value): Reclaim Share Certificate & give new!
  * Demat : Solves this issue!

* Face value Correction → Face Value corrected
* Bonus share
* Split

] Almost Same! → Face value same, market value will be diff (no. of shares changed)

1000 → 500
(more people buys)
price ↑

eg: Infosys

* Original issue price : 400-500 (Say: 10 stocks) : 1991
* 8 time bonus (1:1)
* Now 1:1 → 20
  → 40
  → 80
  → 160
  → 320
  → 640
  → 1280
  → 2560
  ↓
  In lakhs!

Who decides market price:

* Demand economics: more demand, price ↑
* less demand, price ↓

Cum dividend: Cumulating dividend (1000)/share

ex dividend: exclusive dividdend (500)/share

Pvt (200 members max) → Ltd (< 500) → Public (any no.): Through SE! (NSE/BSE)

Primary market: New issue market (from Company directly)

Secondary market: After/IPO: To trade at sec. market (within 3 days of rec. shares: listed at NSE/BSE) [Stock exchange/securities]

B/w Company & Investors

IPO (Through primary market)

* 12th - 14th (Issue open): can opt in/bid in IPO
* Admin process (Analyze, process, Allocate: Data) → By Company (primary market) NSE/BSE: not involved.
* After allotment: 2-3 days (listed at BSE & NSE)

Can't sell to company after listing: Sell in market!

Primary market: Company & Investor

Secondary market: B/w Investors

Introducing to sec. market.

Secondary market

NSE/BSE : (mumbai) : Shop buy/sell shares

* Demat acc → (Keep stocks) : Storage
* Bank acc → Money
* Trading acc → (Trade : buy/sell)

$\boxed{\text{3 in 1 account}}$ → Not mandatory!

ICICI : Bank

ICICI Securities : Broker → Expensive!

Save acc (HDFC), DEMAT account!

Drawback :

* 3 accounts (Dealers)
* Seperate : open how many shares (DEMAT) sell in Trading account] good to be single dealer/ broker!

2/more DEMAT accounts :

* possible!

Doc req : Aadhar, PAN, Bank Statement, Photo!

$\boxed{\text{Proof : Contract note!}}$

* Receipt (By Broker) to Investor
* Details : Transact on behalf of (Broker) me!
* Brokerage : Commission! (no matter of return)!
* within 24hrs, need to despatch (SEBI) (email, mob.no)

Get shares :

* T+1 settlement days (working days)

Trade execution:

* Buy/sell : electronic trading platform : execute at BSE/NSE
* open outcry : shout (physically), offer prices [eg: early Dhalal street] (brokers)
* online trading : electronically.

Stock brokers execute behalf of cx.

Orders:

* Instruction (buy/sell) : spec. quantity (name, Buy/sell, no. of shares)
* Brokers validates.

Market order
IOC
Limit order
Stop loss order
Good till Cancelled
After market

Bargaining:

* Buy : Limit : 2040 (LTP : Last Traded price)
  (until ↓2040 : unexecuted)

Order types:

Market : Buy at market price (sell) : no bargaining (Immediate execution)

Limit : Bargains (kind of) → Executed when reaches that price.

Say market : 2053
Buy : 2040 (Buyers)
Sell : 2060 (sellers)

Stoploss :

Buy : ₹200 – (scare : when goes down)

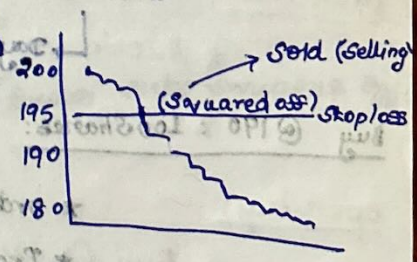
Say : ↓185 shares (100 shares)

I say I can't bear ↑₹500

Stop loss order : (Price of closing : ₹195 why : 200 → 195
(5 × 100 shares = 500)

my exit : 195 (Below I can't realise losses)!

Stop loss order : ₹195

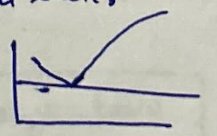


* Square off : while buying (buy)
  Selling (means sell)

Loss fixed at 500

Worst Scenario:

* I want to sell : no buyer! → possible (my order not executed losses ↓)
* Touch 195, then ↑ (up) : Bad luck!

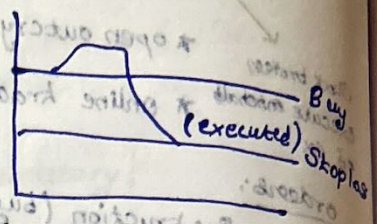


could made profit but loss!

Short time traders: Important!

max loss = 100

500 ⟶ 490 (100 shares)



Stoploss order: placed by a buyer at a price (lower than buying price)

- Stoploss market order
- Stoploss limit order.

After market order: 4Pm – 9:00A.m

9–9:15 – Pre market opening session

Ioc:

* Immediate / Cancel : say place Ioc : ₹200 (execute, else: cancel)
* why? : Hurry / Square off!

Ioc : market price : possible (go hand in hand)

Ioc : limit ⟶ never go hand in hand (can't say ₹490 immediately)

Good till Cancelled:

* Not popular
* majorly allows: Good till day (GTD) orders
* GTD: cancelled next day (End of day)
* GTC: until I cancel it! (Not common)
  - ↳ Day order!

Buy @190 : 100 Shares: (2 types of books)

* order book : enters all orders!
* Trade book : Executed orders!

Note: Trade book entry: need to be routed through order book

What time stays in order book? : (say next day what happens): Cancelled.

Place with broker (Buy/Sell) → Route order to trading sys → Display order on screen → match electronically → Confirm → Contract note.

BSE : BOLT
NSE : NEAT
MSEI : TWS

Order modification:

★ Can edit (unexecuted order)! → Type, Count, Rate

Bull (Tosses prey in air)

Bear. (chokes : presses down)

Standalone : only Tata motors
Consolidated : Tata motors + JLR (Jaguar) + ... : Subsidiaries

Opening hour balancing : Buy/sell orders, Some news (causing Buy/sell)

Short selling : (Preferred by traders : If bearish about the market)!
1. Sell first & buy next! (cover / square off position — before market closes)!
(Intraday : Buy & sell at same day)!

★ If have not something : Need to square off
★ I have (Selling something) : No need!

Can have many demat accounts

No sellers : Possible.
Forget to square off

Demat → Demat transfer : Not allowed!

Sold something (not have) : Share auction (Bounce)
(Forgot to square off, No sellers, wrong broker)

3:30 to 4:00 pm (Post market)

★ Brokers : Cover all bad deliveries! (Buyer auto squares off : Sells automatically)!

IEPF : Investor education protection fund : Created by SEBI

★ Auctioned : got profit! (Need to be penalized)
Careful while short sell
(max 20% Penalty)

Safest : Only short sell : what you have

Offmarket transfer:

* Share transfer (outside market)
* Share transfer form (possible : takes time)

Share Auction : person does short sale (not square off) : Shares auctioned!
Brokers participate in auction market (3:30-4:00)
Loss (born by short seller), profit (IEPF)

Unable to square off:

1. Buy, Hits upper circuit (only buyers) → no sellers
(sold, need to rebuy)
↓
Unable to purchase : no sellers (upper ckt)

Intra day trade $\xrightarrow{\text{Converted}}$ Delivery

* Stock (Demat) → sold
* Stock (not available) → Auction (120% : price + penalty)

2. Open Buy (Buy need to sell) : lower ckt
↓
Unable to sell : no buyers

* Converted to delivery & reaches Demat (sufficient bal)

Open sell :

* Auctioned (Pay penalty / profit : IEPF) : Stock unavailable
* Stock available : Simply sold (delivery)

open buy:

* Buy (balance enough) : add to demat
* add rev balance / sell existing holdings : insufficient funds
* else : Broker sells!

MIS: Margin Intraday Settlement: (Intraday)

★ Squared off: (3:10: Depends on brokers)

★ Cover within the same day.

Sold: −100 (I don't have shares)

Buy: +100 (Need to cover: Buy/Squared off)

0 : No delivery.

1. Sold → No sellers → −100

−100 −100 Not 0 end of the day (Not Squared off / Bought)

Need: Buy & honour [3:30: market ends]

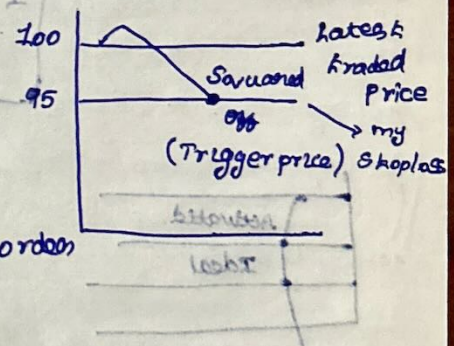
↓

Broker buys for us (3:31 – 4:00) Auction market!

Sold: 900
Bought at auction: 980] Loss

Sold : 900
Bought at auction : 850] Profit but I won't receive it (IEPF)

Stop loss: → Market (place at market rate) → Limit



★ 95 rupees max loss I can bear

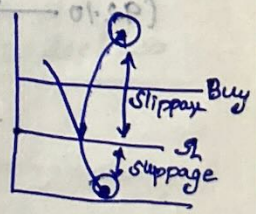
★ Sold (Triggered at) : 95 → Stop loss market order

★

↓

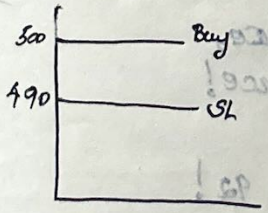
Triggered at 95 (Say market highly volatile)

Market price! [95.4 Selling: Possible! / 94.4 Selling: Possible!



↓

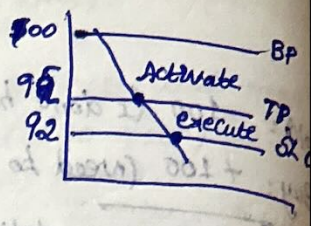
Slippage!



1. Ideal: 490 (Trigger), executed: 490
2. ↑ 490 (trigger), executed: 491 (Slippage) = ₹1 (+)
3. ↓ 490 (trigger), executed: 489 (Slippage) = ₹1 (−)

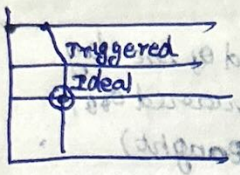
Stop loss limit:

* max loss capacity : ₹8/share (92)
* Trigger at 95
* Limit at 92 — can edit after trigger price hit!



Trigger: Warning!

Still → execute : 92 → 91.90] possible!
→ execute : 92 → 92.10



very volatile

But limit price: 92!
But 91.90 : Lower than market?

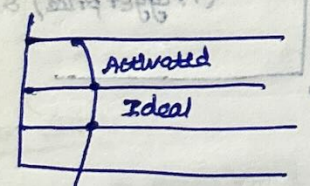
why stoploss at market price preferred:

Stop loss – market preferred!

* Limit order: 92

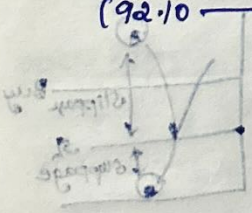
Say Before executing: 91.90

I'm placing limit order for 92
not below 92



without stoploss, my loss ↑

Very volatile
(92.10 → next µs → 91.90 → not hitting 92!



Limit price : specific price

Logic:

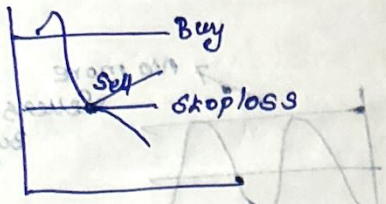
* I'm limiting : 92] ok for us!
getting : 91.90 — But this not limit price, this is market price!

In Limit : I need to buy it on 92!
(not executed : Loss Continues!

No stop loss

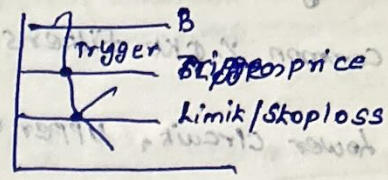
Good till Day : (GTD): No seller : orders cancelled!

SLM



market price: Sell

SLL



very volatile (with in μs):
Not sold below limit!
loss ↑ (may be)

Danger

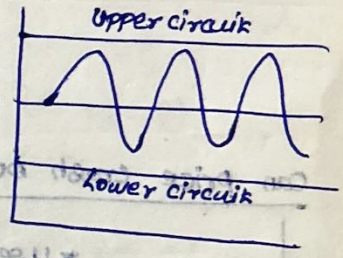
90 → 99 (10% Profit)

*place stop loss at 99 rupees (Restrict loss eg profit)!

place SL at 99! (After stock goes up! > 99)

Corrected : gone down → may gone down to true value!

100 : previous day closing price

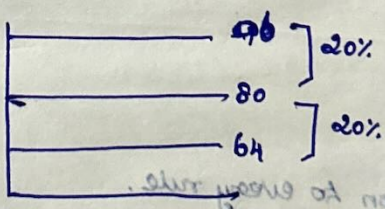


News/many Buy orders
Demand ↑

* opens at 120%

Say closes at 80 (Lower CKt)

Next day



* Circuit limits : 5, 10, 20% (Commonly used) : Market (SEBI) decides

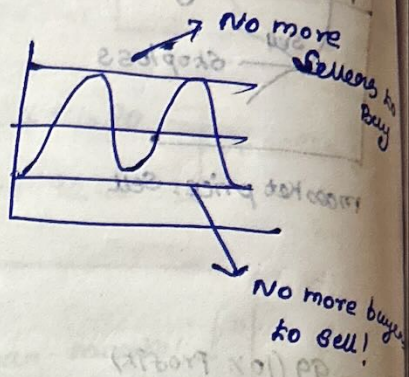
BSE/NSE : Single Stock
SEBI : Entire market
] CKt limits.

Circuit filter

* price level : Beyond/below which : a stock price cannot rise/fall! in a single day.

* Common % ckt filters: 5, 10, 20%

* Lower circuit, Upper circuit



Day 2 : 20% calculated eg Previous closing price

eg:

500 : previous day closing price

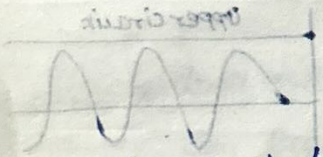
20% : filter ckt

max up : 600

Low (max) : 400

Scam : revealed in day

* market crash to 400 (unable to move below 400)



Can price crash below upper/low circuit?

* Use eg upper/low ckt : No major loss/profit in a single day*

400 (Day 1 : scam)

320 (Day 2 : scam)

180 loss in 2 days

* Shrink 20% → 10/5 : Loss restricted!

can expand also!

How Tata motors fall 22%

* Exception to every rule.

* Some companies : circuit filters, not applicable.

(can ↑ circuit filters / lowers)

1. Listed in future & options trade

NSE : Shopping mall

- Stocks
- Debentures
- Futures & options

Tatamotors → Stocks (cash segment)
Tatamotors → F&O (F&O segment)

(ckt filters not applicable)

Top line : turnover
Bottom line : profit

STT : Security transaction tax
LTP : Latest traded price
Gap up / down (no change) ↑↓

Announce date
Record date
Ex date.

Stock split : FV ↓
Bonus : free shares
Securities — Pri, Sec

Tech analysis (Buy/sell : Decision)

★ Back bone of Fundamental analysis

★ Fundamental analysis: Balance sheet studies, Future prospect, Profit-loss, Ratios, Cash flow, Govt. policies, Interest rates, Management, Currency (rate), Global market.

★ Tech analysis: Price + Volume analysis

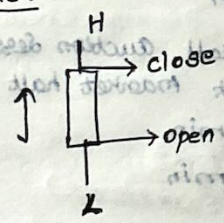
1. price never lies
2. Trade signals
3. Done quickly & easily
4. Trend analysis
5. Define levels easily
6. Substitute to any instrument/market

News weekend ↓

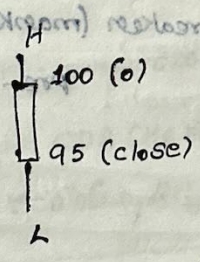
Types of charts:

1. Line (Closing price)
2. Bar (start, end) high, low.
3. candlestick (open, high, low, close)

OHLC:

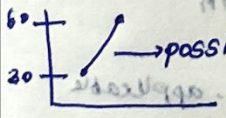


Green
Bullish candle



Bearish Candle.

Circuit breakers/circuit filters



→ possible (dep on ckt filter by SEBI/NSE/BSE)

Prev. day close: 30: price

5%, 10%, 20%
↓
can't go beyond 33
below 27

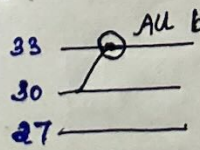
Any possible: open at upper/lower ckt:

★ prev day closing price: 30

★ curr day opening price: 36 (possible) → Demand supply → News

'Can't go further' → Normal stocks having ckt limitations

Upper ckt:



All buyers, no/few sellers

Demand high!

Satyam scam

₹ 550 → ₹6.90

(Govt. 30000 employee: took under)!

↳ Mahindra took!

purchase consideration?

* Continuously hitting upper ckts (Mahindra bought)

6.90 → 20 sessions → upper ckt!

* Good news: everyone wants to buy!

Exception: 'Big stock'

* when equity (Shares) / F&O] circuit breaker is not applicable!

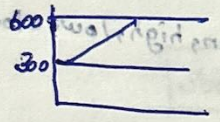
* But exceptional cases: BSE/NSE may stress ckt breaker (Satyam scam)!

Low ckt: All sellers, no/few Buyers

Upper ckt: Top most price beyond which share can't move up (Day)
All buyers, no/very few sellers

Lower ckt: All sellers, no/very few sellers

Dmart: ₹300 (Listed)
1 day: ₹600



1st day: not applicable! (ckt breakers)

Sensex: (Speculation)

* say crashes: (Disaster) → put ckt breaker (market wide)

Triggerlimit	Trig time	Halt duration	Pre-open call auction session post market halt
10% :	Before 1pm	45min	15min
	At/After 1-2:30	15min	15min
	At / after 2:30	No halt	Not applicable
15%	Before 1pm	1 hour 45min	15min
	At / after 1pm before 2pm	45min	15min
	on/after 2:00pm	Rest of the day	Not applicable
20%	Any time	Rest of the day	Not app.

Halt: Temporary stop!

* Panic (Sell madly) & price ↓

Short

* Person entering bearish / hugely bearish market (Sell short, Buy later)
* 2000 : Can computer reprogram to 2000?
* e-commerce / dot com bubble : USA (pets.com (Sell pets online))
  ↳ get investment, Spend as wish not invested! (Problem)
* Realestate : (US) - Boost back economy,

Low rate of Interest (after 4 yrs ↑ exponentially up to 5-6)

Lee man Brothers Loan (convert) → Fin. Instrument → C.D.O (Collateralized Debt Obligation)

3% interest

They needed money

Bank of America → Loan → Invest. Banker / Lee man Brothers (Lee man : collects interest) pay.

money ←

(gets commission on loans sold)

Problem:

* C.D.O : Underlying asset → Loans (when loans not repayed : problem)
  when loan repayment stops : unable to pay C.D.O persons
  Lee man : more loans (high demand), Demands C.D.O (more)
  Interest ↑ (not mentioned in terms) : people unable to pay!
* Dr. Michael Bary : Thanked to short! (But no facility to sell CDO → unable to short
* CDS : Credit Default Slab (Insure CDO)
* Who can insure : owner! (who owns CDO can buy CDS) : US : No such restriction (regulation)
* Dr. Michael Bary : Bought CDS (He knows going to go down)!
  unable to short CDO, so they bought CDS

Something wrong with CDO : Dr. Michael gets benefited

2008 : Loan 1% → 4% (many started defaulting)!
Lee man : Stopped paying CDO holders.
CDS : submit claim : earn! (AIG attacked!)
AIG, Lee man brothers : Bankrupt! (Bailout)

US Govt : Can't Bail out both
(AIG : Bailed out!)
Politics!

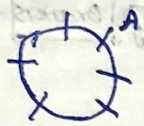
Big economy crashes! Small economy also crashes!

market capitalization

* No. of shares x market price (per share) : (HUL, Reliance, TCS : Highest market cap)
  Blue chip companies : High market cap

AON : All or none order :

* Sell 1 lakh shares : 1 shot for me to buy / I don't buy.
* A : Starting ring trading (selling to friend!) : 10₹



A (1 lakh AON)

6 persons
(Artificial price ↑)
Demand creation

↓

Sale order : higher price : ₹11 (AON)
(AON : ↑ prob that B (friend) is buying)

Limit price : ₹11

↓

B (Sale order : ₹12 : AON)

↓

C (Sale order : ₹13 : AON)

↓

↓

F (Sale order : ₹16) : Creates buzz in market!
Demand created!

* Risk taken care by people (who believes buzz)
* people : In time realizes (fundamentals) : crash!

Ring trading = Illegal

SEBI
(Surveillance)
Block (bulk) deal

Caps :

> 10000 crores : Large
> 500 – 10k crores : Mid
< 500 : Small caps

Bluechip stocks : come under large (big) cap category!

Free float market cap

* Freely floating share count * market price
* Free floating = exclude stock held by promoters.

Based on qty: (orders)

1. AON (All/None) : 1L (Buy from single person or don't)
2. Minimum fill : (1Lakh shares, MF = 20K : atleast buy 20K)
3. Disclosed quantity : Count disclosed

Bid-ask Spread

1000 : ₹90.75 (Buy)	900 : ₹91.75 (Sell)
₹1	gap : Bid-ask spread

Buy / Sell!

(Difference)

Question: Difference (not executed!) either Buyer↑ or Seller↓ → Seller step down / Buyer step up

LTP: Latest traded price

Buy	Sell
1000 @ 90.75	900 @ 91.75
2000 @ 90.25	800 @ 92.25
3000 @ 89.75	1000 @ 92.75
900 @ 89.25	3000 @ 93.25

Seller ready @ 90.75

Updated

Buy	Sell
100: 90.75	800 @ 92.25
2000 @ 90.25	1000 @ 92.75
3000 @ 89.75	3000 @ 93.25
900 @ 89.25	

New bid-ask spread

92.25 − 90.75 = 1.5.

Try (Best Buy price (highest) − Best sell price (lowest))

Disclosed quantity: (every) broker shows screen: Buy/sell : quantity

Buy		Sell
1000	90.75	10Lakh : ₹91.75 (me)
2000	90.25	800 : 92.25
3000	89.75	1000 : 92.75
900	89.25	3000 : 93.25.

(Buyer can see my no. of shares: I want to sell?

↓

can bargain!

Disclosed quantity:

* Large shares : don't want to expose
* Disclose at 10% means 1L : 10 times : 10K (Sells)! Buys/ one by one!
* Enables : (Buyer/seller) disclose (only a part) of the total quantity ordered! (Benefit for large investors)

Bid-ask spread:

* Best buy price (high) − Best sell price (Low).
* Lack of liquidity/imperfections! (Need to match : else unexecuted ↓ Seller↓ / Buyer↑

Market Indices

* Reported in NEWS/media ; real time data (movement) in market
* Economic Indicator (movement of fin market)
* performance bench mark (compare returns with market returns)
* Reviewed from Time 2 time.

NSE : NIFTY
BSE : SENSEX

Stratified Sampling : group Top 100/50

Sectors
- metals
- Infra
- FMCG
- Banks
- Entertainment
- Pharma
- Food
- Textile
- Cement

NSE : > 1500
BSE : > 5000
companies

* Select NSE (Top 50) companies
  BSE (Top 30) Companies
* Representation of market (get rep of all sectors)!
  Top from almost every
* Top : market cap!

NIFTY : NSE FIFTY
SENSEX : Bombay! (Sensitivity Index)

How calculated:

* Only one stock (100 (base value), stock hits 160 → 240 → 210)
  ↳ with this we're going to compare (stable)
  CII : cost of inflation index!
* Base : Set at 100 on Apr 1 (1979) when released (S&P : BSE)
* chose 30 stocks : calculated!

100 → 160 (60%)
200 → 240 (40%) $\left[\frac{240-160}{240}\right] \times 100$ [50%]
100 → 210 (12.5% ↓)

2 stocks

A : 11 shares (200)
B : 24 shares (150)
] market : 200 × 11, 150 × 24] = 5 crore

Base : 100 points

* A → 260 $\left(\frac{260-200}{200} \times 100\right)$ ↑ :
  B → 12.5 $\left(\frac{150-135}{150} \times 100\right)$ ↓ :
  ] current market cap 5.3 crores
  ↓
  6% increase

106 ↓

$\frac{5.3 \times 100}{5} = 106$

Bid size: 1 order, Bid quantity: 1 (shares), Bid price: 1278.35 | In Broker Page Top 5 asks, Bids → trev update!

1 order to buy 100 orders | LTP changes trev!

Delivery CNC : Full amount
Normal NRML (No need to pay upfront! Pay later)
Intraday MIS: Intraday!
Cover order CO: Square off

Free float market cap

freely floating shares × market value
(except promoters)
eg: RII, HNI, DII, FII/FPI

Why?

* NIFTY / SENSEX : No. of shares freely floating (available in trade) IPO market!
* SEBI: Listed company (max promoter holding 75%) : Sell at market (must)!

① More shares: Decision making
② Profit from own company (love to ↑ stake)

min 25% need to be held by others
75% : promoters

* 78% → 75% (Demat)

Pledging of shares:

* Mortage (Take Loan for company) (Business)! : can't Company use other assets?

Sign: Already loan on other assets? Bank takes!
Bank not giving loans " ? siphoning of funds!

* Bad sign: promoter pledging own shares (moneycontrol → shareholding)

ADR: American Depository Receipt
GDR: Global Depository Receipt

Broker can give loans on own stocks (Buy now, pay later)

What's important? (Loan issued against: < 80% of market value)

* pledge of shares (zero)! : good sign!

e-trading

* 9:15 – 3:30
* Mahurat Trading (Lakshmi) : 1hr (roughly)! [5 – 7 pm]

Features of e-trading

* order-driven: no middle man, transparent, anonymity. (match: Price-time Priority)
* preference: Price, then time (while matching orders)

Rebalancing of Indices:

* Top 50 (market cap): Leave / Come to this list
* only rebalance on: Semi Annual Scheme!

$\boxed{\text{4 weeks before change (intimation)}}$

* India Index Services & products: (group company) eg NSE: manages 67 Indices under NIFTY.
* maintains Inc/exclusion in the index!

Nifty: A product

* Futures & options: can buy futures / options eg NSE/BSE (But risky)

* $\boxed{\text{BANKEX / Bank NIFTY, NIFTY Auto Index, NIFTY FMCG, NIFTY IT}}$ Some Indices by IISL

NSE (holding / Parent) → IISL (child) → NIFTY (Index)

manages 67 indices

(RBO: can buy / sell)

Use Indices as benchmark:

Japan: NIKKEI
Hongkong: Hangseng
USA: NASDAQ
France: CAC
Germany: CAC

Lot size: minimum no. of stocks need to buy eg: NIFTY (75 units)
Need to buy in multiples of lot size.

Token money: (10%) eg total volume! (Broker (margin / token money))

Basic of Buy/sell

IPO: Lot size (company chooses)! → Too high: people won't buy it! (Decided by company!)

IPO: Introducing to secondary market

FPO: Already listed (follow on/further public offering)

OFS (offer for sale)

fresh funding!

* Promoter: sell their's
* Company: add. shares (create)

IPO (vs) OFS:

* OFS: Authorized capital (Issued capital)
  - 1000
  - 300 → Promoter / private placement (offered to specific people)
  - Can issue 700 more shares!

* Sources of shares → promoter sells their own / → can issue more shares!

300 shares (Before IPO) → promoter, mutual fund, Insurance, specific people! → must be < 200 members!

OFS: Offering to private (< 200) members to collect money

still private company!

IPO:

Now: 300 (200 with me, 100: with others) → I can sell mine! (OFS) / → 700 unissued capital: sell (IPO) Fresh shares!

I'm giving/selling my shares: OFS

Fresh shares: IPO

IPO:

1. Fresh shares are issued (out of unissued capital)

OFS:

* Issued out of promoter's holding!

FPO: (Already listed company)

* Fresh funding offer (company: already listed)
* Follow on / further public offer!

Basics of IPO

* Past P&L, Balance sheet: need approval of SEBI (Book value?)

Face value: value return on the face of the share certificate

Book value: value of books (Net assets / Net worth)

Asset − Liability (external)

T Format:

Liability	Asset
Shareholders : 200	Fixed assets (plant, machinery)
(Past profit) Reserves : 300	Current asset (money, Bank bal, F.D)
Loans : 200	
Current liab : 300	
1000	1000 (say)

Face value = 10 rupees

Liability = 1000

Say (Issued) = 20 Shares (Shareholders : 20×10 = 200)

Book value = Asset − ext. liabilities

$= \frac{1000 - 500}{\text{No. of shares}}$

$= \frac{500}{20}$

$\boxed{\text{Book value} = 25}$

If Sold today!

₹ 25 share given to share holders!

(or) Some one wants to quit (sell off) : Sell to public! (IPO)

As to ↑ liquidity (Shareholders : quits)

Company may enter IPO! (Sell to public)

Issue price:

* per share : How much offered (minimum : ₹25 (according to book value)

↳ may be more! (marketing : 2 years, we've grown! we're worth)

$\boxed{\text{People : willing to invest?}}$

Face value : 10 ; Issue price = 75

Premium : 65

Asset:

Land, class room (6yrs ago bought)

→ premium area (appreciating asset : land)

Historical price will be in book!

But price : (now) : grown!

↓

Value (current valuation)

what we need?

* present to people (Institutional Investors)

Investors, Bankers, MF managers

* person helps (IPO) : merchant bankers!

Bank : ready to buy at ₹ 70

Ins : ₹ 72

MF 1 : ₹ 80

Book : Nope (building a book)

95% IPO's are book building issues:

* Build: probable prices
* merchant bankers: (Important) → mergers (acquisition) private equity raising IPO helping (High level Banking)!

* Avg: ₹ 70-80 (ready to pay: people) : Range gn by merchant banker (From would be investors) (saying I may buy at ₹ 70-80)

* my price band: ₹ 70-80 (choose your price): I ask MF house/Institutional investors

Prospectors:

* History, promoter info, performance, P&L, Balance sheet, Any court case?
* SEBI: DRHP (Draft Red hearing prospective)
* Need Banker, Registrarant transfer agent (RTO), custodian

① DRHP: suggest
② RHP ← accepted
③

mergers & acquisition ← main func. → Funding

1. merchant banker: helps in entire IPO process. (Single point of contact for company)
2. Book building issue: ask (present): Come up with a price range, offer to investors! (to apply for shares)
3. Prospectors: doc (info (major) like perf, P&L, Balance sheet, loan, asset...)

Why IPO?

* Access/Tap larger markets. (raise money)
* Competitive process (demand, supply)
* Diversify ownership.
* Transparent!

Expert price band: ₹ 70-80

Issue price of Company: ₹ 500-550

* My Issue price: 550 (From IPO) I got for 550

* Listing: 557 (UP↑): 7 rupees

Next 1 ½ yrs: 1200!

DLF: Construction Company (2007: came up with IPO)

Say: 500 shares (To issue)
application: 8000
6 times oversubs.

DLF: 10 times oversub...

my chance: $\frac{1}{10}$

↓

News: DLF IPO undersubscribed.

↓

1L (allotted!)

↓

Listing price: good.

Loss of Profit & gain

1200 → 300
(After 3yrs)
↓ 2019
₹160 (DHL)

* Many failure stories are also there!

*

ICRA: Industrial Credit Rating agency (Issue: ₹300 (17times oversubscribed)
Listed: ₹900) Lottery System

5 times oversubscribed:

* 1 out of 5 get the shares!

* min inv (Lot size): ₹15000

Higher slab means chances of getting ↑

Lottery: * Atleast 1 for everyone
↓ not possible
Lottery (random)

* 15lots: 15 lottery tickets
→ (Self, husband, mother in law...)

Prospective info:

* merchant bankers (who is my merchant bankers)
* Underwriter (say: 100 shares issued, 80: applications, 20: short)
< 90% : cancel issue!
(This guy will subscribed by underwriters for commission)!

* Issue price: 300, Listing price: 600

3 days: Period for subscribe to my IPO
Tech: I can know 1st (end of each day): we can know how much subs

---

Day 1 of listing
* New IPO share: Listed at 10:00 AM only (SEBI's Rule)

Quickheal (antivirus)
Pune based
Listed: ₹140
Issue: higher 140
Reason: News before 1day (litigation)

*

↓

↓

↓

Brand name ; Company name : may be different
DMART : Avenue Supermarket Ltd
Dominos : Jubilian foodworks Ltd

prospectors (offer doc) having company info → Red herring prospectors (many dots : issue price, premium, no. of shares issuing) (no info) → They offer price range!

290 – 300
Floor price
Ceiling price.

'Company' : don't know issue price, premium price

'No assumptions' : So unsolved / written as dot!

Say many (I) apply @ 290:

* Lot of Institutional investors : value the company (going to buy a lot)
good : upper end (Bid @ 300)

* Say majority bid @ 300] who gets? : people who bidded @ 300!
I'm bidding @ 290

IPO : 90%

Company how decides issue price:

No. of bids received	price
290	5
291	3
⋮	⋮
300	10
	100

295 (82 subscribed)

290 :	1
291 :	1
295 :	45
300 :	53
	100

@ 295 must include 300 (miss : 37% for 90%) → Include 295 Now : 98% (Complete)

minimum IPO subscription * 90%
< 90% subscribed : IPO cancelled

1. < 295 (issue price) : people applied below 295 : won't get!
2. > 295 : get refund (Law!)

Types of IPO → Book building issue (price band given : option there) — Dmart : 290 – 300
→ Fixed price issue (company decides price)

Price determination for IPO:

* criteria : min subscription @ 90%
at what price 90% subscription/above : accepts!
reject others!

Listing: BSE & NSE

Book running lead managers: merchant banker! (more than 1 : possible (Common))

- enterin book
- Contact for Promoters!

RTA (Registrar & transfer agents): Share transfer agents (SEBI registered)
(from Company → mine/Investors);

---

* In Secondary market: (who transfers): clearing house (NSE, BSE: has own clearing house)
* who does this for IPO (SHU in primary market): RTA takes care of them
  ↓
  eg: Link in time

IPO: Need for clear reason!

ASBA facility:

* we need to apply to IPO through ASBA
* RTA: Transfer Demat shares to investor's account!
* Banker: Do the issue
* ESCROW account: (Savings account: we can do whatever)
  → Defined purpose!
  (IPO: Company needs to open a ESCROW account
  Investors: going to deposit in this account
  Bankers to issue: monitor/manage ESCROW account application amount

Our side:

* people /investors: Trading, Demat, Savings account!
* primary market: To apply IPO, need to apply through ASBA facility

ASBA: Application Supported by Blocked Amounts

* Need to refund within 14 days: else pay Interest (Company)

14 day: ₹2L
↓
4%
↓
₹307

ASBA:

*

my Savings

Current Bal
250000 → Bal
2000000 → Trans

Not transacted, got frozen & released only after IPO!

Solution

ASBA
by SEBI

Available balance = ₹50000!

Interest credited to my account!

★ FD = 10lakh
OD = overdraft (75–80%)

: Route ASBA account through OD!

★ 8Lakh freeze (frozen) (Not debited)

↓

4 application (each 2L)

↓

1 app (Selected) → 2L deducted

OD : 6Lakh (unlocked)

Before EOD : transfer 2L from savings to OD account

Loan : NIL

Interest : NIL

↓ SEBI (Blocked this)

OD account : Can't be used for ASBA account

why : 8L (frozen for 20–30 days)

opportunity loss : Can't lend that money for 30 days

₹0 Interest!

Shares got : Debited money
Now : unfrozen

★ ASBA : facility through which amount doesn't get debited but Just gets frozen! (In the savings account itself)

Top line : (Complete) : profit + expense + .. (Total income)!

Bottomline : (after tax) profit!

Revenue : ↑ : 5 times
profit : ↑ 6 times
growth : 30 times

Good sign!

purpose → pre/re payment : Loans, Non convertible debentures
→ construction/purchase : new stores
→ general Corporate purpose!

Loan :

Income : 1000
Exp : 800 20%
Profit : 200 (Before tax) & interest! (Loan)
before tax & interest
500 (↔)
Profit before : 300

Earning : 1000
Profit before (Earning) tax & Interest : 200

Except loan: Company doing good!
Loan (repayed): Company takes good!

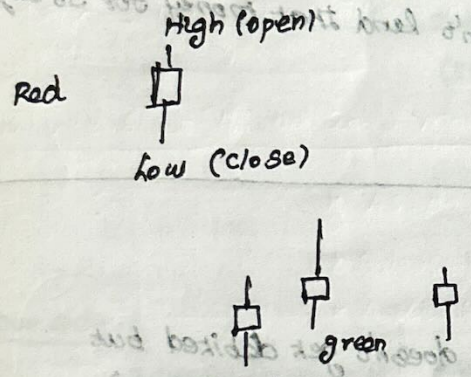
Operating profit: (negative) ⟶ No sense in investing!
Say: Earning profit (−ve due to interest) ⟶ Sense!

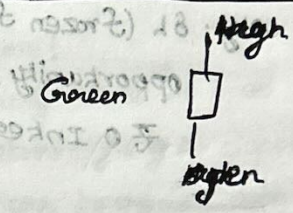
3day: IPO Subscription duration

Issue type: book built Issue IPO (given price band)

QIB: Qualified Institutional Investors
NII: National Inst. Inv (domestic)
RII: Retail Indiv. Investors

Draft Prospectus: Not yet finalized ⟶ Not mentional no, price, premium
Red Herring prospectus: Finalized





Depository: keeps track of transaction (from BSE/NSE)

Revision of concepts

- ★ LTCG,
- ★ Dividend
- ★ Face value
- ★ Topline, Bottom value
- ★ Stock Split, Bonus Shares
- ★ Types of securmarket
- ★ Acc rev: Demat, Sav, Tra
- ★ Doc rev
- ★ Contract note
- ★ T+1 rolling Settlement
- ★ LTP (Latest traded price)
- ★ Premar: 9–9:15 (Place but executed at 9:15)

  Amo: 4 – 9:00AM

  gapup, down, Nechary

- ★ Corporate actions → meeting, split
- ★ Types of investors
- ★ Clearing house (IPO: Someone else RTA is the clearing house)
- ★ Depository: NSDL, CSDL (Phy → e-Share)
- ★ Depo. participant: Broker
- ★ Volume: changed hands
- ★ Trading system → open outcry, online
- ★ Types of orders → Lo, SL, mp → market (choose this always), Limit
- ★ modify orders (edit)
- ★ Short sell
- ★ IOC (Ime or Cancel)
- ★ GTD (Day), GTC (Good till Cancel)

* Share auction (If not Sold)!
* IEPF (Inv. edu. prote fund)
* Circuit filter / breaker (protection) → 5%, 10%, 20%] when F&O traded : Not eligible
  1st day of listing : not elig.
* market wide circuit breaker (2008: Subprime crisis) → Lower breaker hit!
* market capitalization (No. × price per share)
* Illegal: Rig trading
* Block deal: bulk deal sold (mandatory disclosure)
* Types order (quantity) → Disclosure quantity (2/3 : Share purchase : no need
  → AU / none 1L, 2L : They need anonymity)
  → min fill
* Bid ask Spread : ask price (best) − Bid price (best) (diff)
* market indices — Nifty (50)
  — Sensex (30)
* free float market cap (no. of shares (exc : held by promoters))
* NIFTY / index calculation
* promoters pledge shares : Not a good sign
* Sectoral indices : Bank NIFTY (track sector)
* Lot size (min share to buy in IPO)
* OFS, IPO
  OFS → promoter sell his share
  IPO → new share
  Face value : Face!
* FPO : Further / Follow on
* Book value : Net worth.
* merchant Bankers : lead runner, Book manager — merger & acq
  — Fund raising
* Book building issue (Band : Inv decides rate) — Floor – Celling price
* prospectors : Ufo offer doc
* why primary market : Tap more people
* 90% (min) (under writer : IPO Cancelled)
* Bidding process, RTA : Registrant transfer agent
* ASBA!
* Bankers to the issue, ESCROW account.

Fundamental analysis

* Quantitative : Balance sheet, P&L, Cashflow analysis
* Qualitative : management, objectives, strategy

Accounting: clerical (Not a finance person)
Finance : Intellectual

Expense → Raw material, Labour, Furniture, Appliance, Utility, Rents

Types of expense → Capital, Revenue

Closing stock (trading) → Credit side
Why?

Capital expenditure:

* Every Business man: end of 1yr: how earning? Profit? Loss?

Profit & loss account for the year ended 31 mar 2023

1 Apr – 31 mar : Financial year in India!

Balance Sheet As on 2022 March 31 (As on / As of)

* As on: present/on the particular date
* Balance sheet: Cumulative record (asset? : today you have)
* Asset : we own, Liability : we owe

Capital expenditure:

* Go beyond (can be used) balance sheet date! (deriive benefit : long time)
  eg: washing machine : accomodated in balance sheet!

Revenue expenditure:

* Benefit : exhausted before balance sheet date : Revenue expenditure
  eg: vegetable, Labour (cook, servant), Utility (electricity)
  Delivery, Telephone bill,

Top to bottom approach

Economy analysis → Economy : GDP (higher, better), Inflation, Forex reserve position! (Balance of payment)
Industry analysis
Company analysis

monsoon scenario (more/Avg good)
↳ as agriculture dependent (India)

Balance of payment:

* Surplus BOP (export > import)
* Deficit BOP (export < import) : India!
  (petroleum, Gold)

Toomuch of inflation/deflation bad
Good : steady inflation

Industry analysis:

* Say: Every home need electricity (Analyze whole industry) — generation, Distribution, Transmission

Company analysis

BS, P&L, CF; company details.

Balance Sheet (As on) 31/3/2023 : From Starting/Beginning!

P&L (Year ended 2023) : Jan 1 2015 (Started company), 31mar 2019

↳ only that year alone!

As on: Include right from start!

Balance Sheet: positional statement
P&L : Income, expense : Yearwise

Annual report:

* Founders, promoters, management
* mission, vision, performance, plans/projects upcoming
* Financial position. (Reports : Financial statements. → BS, P&L account, Cash flow statement, Notes to accounts, Statement of changes in equity (if applicable))

Consolidated financial statement :

Standalone finc. statement : HO + Inside + outside (combined/compiled) fin statements

L&T : many branches (In & outside India)

L&T — 2019 — 30 branches (In), 45 (outside), 1 (HO)

→ Head office, India (In), outside India

All 100 branches : 100 P&L ? Any value? → No?

Branch level : profit

Branch level : Analysis

Seperate P&L .....

Company level performance!
management need branch level not Share holders!

1 P&L,
1 CF,
1 BS enough!

Subsidiary : Companies holding by parent/holding company!

Consolidated:

* equity : money (with which Company started) : capital!

Tata Sons → TCS, Tata motors, Tata Coffee

Tata Sons : parent

TCS, Tatamotors .....

↳ Subsidiaries!

eg: I started Solo company (₹100 equity)
Tata Sons : made investment/ 60% Share (main capital)
↳ parent ↳ my company : Subsidiary

Start up: * low capital, I'm getting investments (expand) : Become owner!

Byjus (Say) : SRK : 52% (Red chillies entertainment) : parent/holding comp

Person1 24% | person2 24% → Subsidiary (Byjus)

* SRK : Used Red chillies entertainment (produced animation learning)!

Parent : >50% equity capital holded by parent Company!

Byjus : Seperate Company, Not a branch of Red chillies!

Say: 100% profit by Byjus

Red chillies can have 52% profit!

Consolidated : Company ~~alone~~ + Subsidiary! (Red chillies, byjus, KKR) profit/statements
Standalone : Company alone (Red chillies by own)!

KKR : ₹200 (60% share)

Byjus : ₹100 (52% share)

Red chillies : ₹200

200 (own) + 120 (KKR) + 52 (Byjus) = Consolidated profit! (BS/P&L)

200(own) : Standalone Fin Statements! (Red chillies, HO + All branches)

Consolidated : L&T Subsidiary + Associates + Own branches

I'm company holding B (>50%) : B is a subsidiary of A!

B/w : 20 – 50% (Inclusive) : B is my associate company!

0% to 19.9% (I'm invested in B)

>50% : subsidiary
20 – 50% : Associative

A —40%→ B

A —50%→ C

A —9%→ D

Consolidate Fin Statement = A + B + C

(D : < 20% not Consolidated!)

Accounting Standards: Law for accounts (No: 21) : only consider associates] govt!
Subsidiaries

Joint Venture:

* 2 companies together! for a purpose!
  eg: Flyover (Infra Company (I don't have funds) : Together build!)
  temporarily!

* Joint ventures: Need to be consolidated!

Consolidated Fin Statements → Associatives
→ Subsidiary
→ Joint ventures!

Standalone: only L&T! + Branches of its own!

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* L&T: (has more than) : 13b (2019 as per)
* Associate: (say 20-50%)

Institutions: mutual fund house, → Trust/pool of individuals!
Bank/FI
Central/State govt
venture capital firm
Insurance companies
FIIs, Foreign venture capital funds

SBI mutual funds SBI holds maximum stake! → Institution → Type of investment.

* Banks are allowed to invest only small amount in stock market!
* LIC decides/makes investment in stock market (IRDA : Insurance Regulatory Development Authority of India: decides how much can be invested)!
  ↓
  Regulator

Regulator: Look, put in place! (Allowed/not)

RBI: Banks
IRDA: Insurance companies
Stock market: SEBI
AMFI : mutual funds (Also SEBI takes some things)
(Assoc. of mutual funds in India)

SEBI?

* Broker (buy/sell : No permission) : Complain SEBI
  For brokerage (each transaction)
* Dividend declaration: (If I didn't dividend) : Complain SEBI!
  (Address problems of Investors)

* SEBI penalizes : wrong disclosure
* SEBI : Broughts acts, regulations, rules!

LIC: Strong Buyer (Recover Stock market) from crash

Non Institutions : Indian, overseas (corporations)
Individuals (Below ₹2Lakh, > ₹2Lakh)
others : Directors, relatives, foreign nationals, portfolio investors

Non residents, Trust, qualified foreign investor.....

Can : US individual directly invest?
Way : Through foreign portfolio investor (institution)

ADR: American Depository Receipt
GDR: Global Depository Receipt

Important parameter:

* Mutual funds (have knowledge) : Large holding → good
Insurance people : good (knowledgeable persons)

Promoter (< 1% share) : professionally runned business!
more share : family runned business!
(Highest promoter stake)

Risky?

* promoter having low % of shares! (Initial: 60%, Suddenly: lot of selling)
→ In family business : Holding less shares
(problem: lose faith)! : Risk!
Professionally run (L&T) : Not a problem!
election : choosen by chair persons!

Director (Law theory)

* executive : insider (employee) → own interest! (employee/directly involved)
* Independent
* women
* Non executive : outsider → only to attend board meeting! (Unbiased!) [Consultancy/Sitting fee]

Never put all eggs in one basket!

* Shares pledged: (against) whose share? → Last resort: Loan against share
Good company: Banks will be ready!
(Financial position: bad)

* when promoters share sold: Bad!

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* Yes Bank: (Say) has owners pledged share: 1 negative thing!
* HDFC AMC: manages fund!

Mutual fund:

* Registered like a trust! (Single person: no beleis, who regulates)
* Trust: Trustees (Responsible) [mutual fund]
→ Appoint Company: Buy/sell shares (manage investments)
(Asset management Company)

* whose asset: Mutual Fund's money (from investors!)

* Benefit of (AMC: Asset managing Company): fees + Commission.
→ more funds: more Commission & fees!

whose Company: HDFC (owns large stake! : parent Company)

* mandatory disclosure: Bulk deals (Buy? sell?) who who

Promoter: can be indiv/company

Bulk deal:

* multiple no. of shares (In Lakhs): Bought & Sold

Auditor's report: (Independent: unbiased)

Job: (Not comment/tell this could be done better)

1. Books of accounts (Sales, purchase): Not accessible to share holders
↳ Can't allow everyone/enemy companies!
Representative: can check our books of account
Report: Submitted to public!

Auditor: can't be part of L&T
can't be a promoter/employee

↓ opinion (true & fair view)

↘ Authenticity of Data (check)

phrase

Key audit matter: (mandatory from 31st march 2019)
Say: Auditor: I find this risky but not fraud!
↳ 'what he communicated to the promoters!'

* 2-3 yrs : project : Revenue recognition (Rules there!) : minor variation (ok)

Minus sign:

* Key audit matter : negative?
* must have true & fair view!

Key audit matter: Important findings of the auditor Comm. with promoters → with proof! (Defamation case!)

↳ Auditor (Fraud) → 5L penalty
→ Cancel practice!

(Resignation: Say I won't want to continue)

Auditor resign: Bad thing!

forensic audit: only to find out risks & negatives!

Reason (must be disclosed) to govt! ADT form)
(ministry of Corporate Affairs)
↓
Indian Revenue and administrative services

* Indian Accounts Standards: Balance Sheet format!

Say: Omit transaction (Genuine error!)
Current year: found ⟶ IAS (Allowed to change!) : Restatement!

Ratio analysis

* Share holder's funds: owner's fund (Business started)
* Business can acquire/raises funds : IPO (First time raises from public)
  Additional Share for Sale (FPO)
  Raise money from fin institutions! (privately) <200 people
* Bulk deal : Buy/Sell at Exchange (at huge)
* Private placement : Not through NSE/BSE
  off market : Directly to Demat!

* Capital ↑, (when need /purpose) : Good sign
* overcapitalized : problem!

overcapitalized:

★ Ideal Cash/Bank balance: Funds are Ideal (Not good): profit ↓

Reserves & Supplies:

★ Surplus/excess funds: Yes (good sign): Consistent! (%increase?)

★ Surplus: (Accrual System)

Sell → 100 cash
→ 200 credit

Purchase → 50 cash
→ 100 credit

↓

Record when consumed not when cash is received!

Cash	Credit
100	200
50	100
50	100

cash position: 50

Surplus: 150

↓

As receivable, payable!

★ Say: written (1 year)

₹300 Surplus: 30% tax (Corporate): ₹90

₹210

worst case:

	Cash	Credit
Sale:	50	250
Cost:	0	
	300	
	↓ tax: 90	
	210	

★ No pass: not yet received!

↳ can I show surplus = ₹50 instead of ₹300 (As I received only ₹50)

↓

Not allowed! (Not allowed cash basis!)

A: 200% higher than B! (Liquidity? Cash flow?)

↓

No cash: problem!

check then choose!

Reserve & Surplus: profit from business (Retained with the company)