Lec-1

Inflation in India: 7.5%

Fixed Income : returns 6%
Equity : 12% (avg) 20% (if you're good)
Real estate : Appreciation + rent 10 varies.
Gold : 5-8%
⇒ Equities are best, but because risky, diversify

Lec-2:

Participants:

1. Domestic retail investors: Common people
2. NRI & OCI: same as retails but lived outside India
3. Institutional investors: → Domestic, → Foreign
4. Asset Management Companies (AMC):

Everyone wants to make money. But in no rules, everyone can't engage fairly (Insider trading may occur). ⇒ To make the [illegible] fair, SEBI (the regulator) comes in.

Lec-3: What happens when you ~~[illegible]~~ buy/sell.

Stock broker (acts as intermediary to stock exchange) ~~(opens DEMAT account for you)~~ → Stock exchange (where stocks are bought and sold.) → Clearing corp (ensure all transactions are honoured & settled) (each exchange has its own) → Depository (essentially an account for your stocks) (DEMAT)

Banks → all the money you need.
SEBI → monitors any shady activity.

Lecture-4: IPOs

Idea → Angel investors $\xrightarrow{\text{expand}}$ VC $\xrightarrow{\text{Series B etc...}}$ Company can now finance through → Debt (Banks come in) / Profits / Equity

Debt: not attractive because interest rate.

Equity → Private investors now on board

Now if they want, they can directly finance buy putting stocks up in public using IPO.
⇒ Lot of small investors now end up financing company.

Why ~~do~~ go public?:

1. Raise funds (obviously)
2. Avoid debt
3. Spreading risk over a larger population, diversifying & reducing risk.
4. Allow early investors to exit, free up their money.
5. Reward employees by giving them stock options, incentivising them to work harder
6. Visibility ↑

Process of going public:

→ Appoint a merchant banker / Book running lead manager (BRLM) / Lead manager (LM)

Banker does:
→ Prep docs including Draft Red Herring Prospectus
→ Underwrite the shares: in case no one buys, they have to buy & later sell.
→ Help determine price band.
→ Publicity.
→ Appoint other intermediaries.

Steps:

Appoint a merchant banker → Apply to SEBI with a registration statement → Getting nod from SEBI → DHRP
a. estimate IPO size
b. " # shares
c. Why go public?
d. Biz descrip
e. Complete fin statements
f. Managerial analysis
g. Risks

→ Market the IPO → Fix price band. → Book building (price discovery) (public subscribe to share) → Close → Listing day

This was the 1° market.

When the stock starts trading publicly on exchanges, it is the ~~second~~ 2° market.

- undersubscription: less biddings were recieved than stocks offered. Shows −ve perception
- Oversubscription: More biddings. factor = $\frac{\text{biddings}}{\text{stocks}}$
- Green shoe option: Issuer typically gives at 15% extra stocks in case of oversubscription. Also called over allotment option.
- Fixed price IPO: Sometimes, company decide single price instead of price band
- cutoff price: The actual price listed.

Lec. 5 Upstrokes due to good or bad news.

A large companies' stocks are traded irrespective.

Holding period: $0 \to \infty$

abs. return: $\left(\frac{\text{End value}}{\text{Start value}} - 1\right) \times 100$

Compounded annual growth return (CAGR):

$$CAGR = \left(\frac{\text{End value}}{\text{Start value}}\right)^{1/n_{years}} - 1$$ $t \geq 1 yr$

⇒ CAGR for over $t > 1yr$, use absolute return in $t < 1yr$.

Types of traders:

a. Day trader: buys & sells within a day, no long term positions.

b. Scalper: N↑, t↓ (milliseconds), risk averse. (t↑, risk-taking↑ generally)

c. Swing trader: Holds from days to weeks, can take more risks

Investors:

a. Growth investors: holding hoping to see gains in growth.

b. Value Investors: See fundamentals

Lec-6: Indices.

Overall indicators.

Some indicator companies are weighted and prepackaged in market indices as 'Market Indices' → SENSEX (S&P BSE), → Nifty (CNX)

S&P → company that provides global rating

Uses:

i) Indicator. ii) Benchmarking (against other investments) iii) Trading the index itself (using derivatives)

iv) Portfolio hedging.

There are also sector specific indices.

stop loss = stop loss

(O → buy + stop lo

Good till triggered → Long term (O

T	T+1	T+2
(started)	(Can do BTST)	(Shares credited to demat)

80% money instantly usable

T	T+1	T+2
(sold)	(80% money	(80% returned.

(stock

~~Zat~~ Corporate actions:

Dividends: Paid to shareholders per share.

Payout ratio = $\frac{Div}{\$(Share)}$

not mandatory to pay dividends ~~Mgr~~

Bonus Issue: free extra shares.

Stock split: N↑, Price↓

Rights Issue: Shareholders get to buy at a discount.

Buyback: Company buys its own share back. Seen as a bullish sign.

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