

**Veer Narmad South Gujarat University**  
**Stock Exchange and Portfolio Management**

T.Y. B.B.A., Semester VI

Effective from December 2012

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**Objective:** To orient students with basic knowledge of capital market and investment management.

**1. INTRODUCTION TO CAPITAL MARKET 15%**

- Meaning, structure of Indian capital market, importance of capital market, Recent trend & reforms in capital market.
- Primary market: meaning, kinds of issues ( IPO,FPO, Right issues, preferential issues), functions of primary market, market capitalization, process of IPO, book building process, foreign capital issuance : ADR, GDR.
- Secondary Market: stock exchanges (NSE,BSE,OTCEI), stock indices, difference between primary market & secondary market, bid & ask price.

**2. SECONDARY MARKET OPERATIONS FOR EQUITY SEGMENT 20%**

- Classification of securities : Group A, Group B, Group Z, Group TTT, , types of order, order management, Basic types of transactions : Long purchase, margin trading, short selling, current clearing & rolling settlement procedure, basket trading, circuit breakers & price band, margin : Value at risk (VaR), extreme loss margin , Mark-to-market margin, insider trading.
- Brief idea about Merchant Banking, SEBI & Listing procedure of shares
- Demat service : NSDL, CDSL, International securities identification number(ISIN), Depository process : Dematerialize process , rematerialize process , market transfer process, Advantages & drawback of depository system
- Credit rating system : concept & name of agencies
- Mutual Fund : Meaning & types of mutual fund ( on the basis of objective, on the basis of flexibility), benefits of mutual fund, NAV, Entry load & exit load, Risk in mutual fund, ETF( Exchange traded fund)

**3. INTRODUCTION OF DERIVATIVE MARKET 15%**

- Meaning of derivative, Growth of Derivative Markets in India- History & background,
- products of derivative market : forward, future, options, LEAPS, Swaps,
- Types of Traders – Hedger, arbitrageur & speculator
- Standardization of Derivative contracts
- Spot V/s future market

#### **4. PORTFOLIO MANAGEMENT 25%**

- Definition : risk, return, portfolio, portfolio management
- Risk- calculation of risk, Alpha(unsystematic risk) , Beta(systematic risk)
- concept of diversification, portfolio management process,
- Portfolio Evaluation – Markowitz model( theory & Example), Sharp model( theory & Example), CAPM Model( theory & Example)

#### **5. FUTURE AND OPTION MARKETS 25%**

- Introduction
- In the money, At the Money, Out the money, intrinsic value ( Example for understanding concept)
- Future contract: meaning, contract specification for index future , stock future, pay off, settlement procedure.
- Option contract : Meaning, European & American option contract, open interest in relation to price & volume ( concept), contract specification for index option, stock option, pay off, settlement procedure, factors determining option price.
- Future & option trading strategies : Arbitrage, Hedging, Speculation

#### **Reference Books**

1. S. Kevin, Security Analysis and Portfolio Management, PHI EEE
2. E. Gordon K. Natarajan, Capital Market In India, Himalaya Publication
3. V. A. Avadhani, Investment Management – V.A. AVADHANI
4. V. K. Bhalla, Security Analysis And Portfolio Management, S. Chand
5. Vohra & Bagri, Futures and Options, Tata McGraw hill Latest Edition