

## **PG DIPLOMA IN INDIAN STOCK MARKET**

Non-Semester

(With Effect from the Academic Year 2013-14)

### **ELIGIBILITY FOR ADMISSION**

Candidates who apply for the degree of PG Diploma shall possess the following qualifications.

**(a) AGE LIMIT:**

There is no upper Age Limit.

**(b) QUALIFICATION:**

Any Degree

### **3. DURATION OF THE COURSE**

The course will be conducted for one year

**3.1. EXAM** : There will be an examination conducted by the University at the end of the year.

**3.2. Passing minimum** : 50

**3.3. MEDIUM OF INSTRUCTION:** The Medium of instruction will be English.

## LIST OF SUBJECTS AND DETAILED SYLLABUS

S. No	COURSE TITLE
1	Financial Institutions and Markets
2	Stock Market Operations
3	Technical Analysis
4	Equity Research
5	Derivatives and Risk Management
6.	Financial Analysis And Reporting
7.	Treasury Management

### FINANCIAL MARKETS AND INSTITUTIONS

#### Objectives:

This course is intended to provide students with an understanding of the structure, organization and working of financial markets and institutions in India. It helps to explore the connection between the Financial Institutions, Instruments and Markets in the business environment and their role played in the Indian economy. It throws light on the Financial Innovations on new financial instruments for smooth and profitable investment decisions.

**Unit I :FINANCIAL SYSTEM AND SERVICES :** Nature and role of financial structure - Financial system and financial markets - Financial system and economic development -Indian financial system: an overview; Investment alternatives and evaluation ; Reforms in financial system, Investment banking ; Credit Rating ; Factoring and Forfaiting ; Housing Finance ; Leasing and hire purchase ; Financial inclusion and Microfinance

**Unit II : FINANCIAL MARKETS :** Money market- meaning, constituents & function ; Money market instruments – call money, treasury bills, and certificate of deposits, Commercial

bills, and trade bills, Acceptance Houses, Discount Houses ; Capital markets – primary and secondary market ; Government securities markets ; Role of SEBI - an overview and recent developments. Role of RBI,SEBI,DFHI,SHCI in Financial Markets.

**Unit III: FINANCIAL INSTITUTIONS :** Reserve bank of India – organization, management, and function ; Commercial banks - meaning, functions and investment policies ; Development banks – concept, objectives, and function ; Insurance companies – objectives, role, and investment practices, -IRDS ; Unit Trust of India – objective, function, and schemes ; role and functions of non-banking financial institutions ; Merchant banking-functions and role.

#### **Unit IV: FINANCIAL INSTRUMENTS**

Sources of finance – Financial Instruments – Types, Features and advantages – Equity and special types of equity, ADRs & GDRs ; Preferred stock - Equity derivatives – Credit derivatives – Asset –backed securities - Convertibles and warrants - Types of Bonds and debentures – Non-Marketable Financial Assets - Options instruments - securitization

**Unit V: MUTUAL FUNDS :** Concept and performance of Mutual funds ; Regulation of Mutual funds ( with special reference to SEBI guidelines) ; Designing and marketing of mutual fund schemes ; Latest mutual funds schemes in India – an overview ; Mutual Fund Evaluation and Tax aspects of Mutual Fund Investments.

#### **Text Books:**

1. Prasanna Chandra, “Investment Analysis and Portfolio management”, Tata McGraw Hill, 3<sup>rd</sup> Edn., 2008
2. Julian Walmsley, “New Financial Instruments”, John Wiley & Sons, 2<sup>nd</sup> edition, Inc 1998.

#### **References:**

1. [Bharati V. Pathak](#), “The Indian Financial System: Markets, Institutions and Services”, Pearson education, 3<sup>rd</sup> edn.
2. Bhole I. M.: “Financial Markets and Institutionals”: Tata McGraw Hill, New Delhi.
3. Chandler M. V. and Goldfeld S. M: Economics of Money and Banking: Harper and Row, New York.

## STOCK MARKET OPERATIONS

### Objectives:

This course aims at giving a comprehensive understanding on the stock market operations in terms of its structure, trading, settlement procedures, processes and related components and the regulations, emerging challenges in the Indian Stock market.

**Unit – 1: Capital Markets in India** - An overview of Indian Securities Market, Meaning, Functions, Intermediaries, Role of Primary Market – Methods of floatation of capital – Problems of New Issues Market – IPO's – Investor protection in primary market – Recent trends in primary market – SEBI measures for primary market.

**Unit – 2: Stock exchanges and its Functions** : Meaning, Nature, Functions of Secondary Market – Organisation and Regulatory framework for stock exchanges in India – SEBI : functions and measures for secondary market – Overview of major stock exchanges in India - Listing of Securities: Meaning – Merits and Demerits – Listing requirements, procedure, fee – Listing of rights issue, bonus issue, further issue – Listing conditions of BSE and NSE – Delisting

**Unit - 3 : Trading , settlement and Surveillance System In Stock Exchanges** : Different trading systems – BSE - BOLT System – Different types of settlements - Pay-in and Pay-out – Bad Delivery – Short delivery – Auction – NSE – NEAT system options – Market types, Order types and books – De-mat settlement – Physical settlement – Institutional segment – Funds settlement – Valuation debit – Valuation price – Bad and short delivery Risk management system in BSE & NSE – Margins – Exposure limits – Surveillance system in BSE & NSE – Circuit breakers

**Unit - 4 : Stock Market Indices** : Meaning, Purpose, and Construction in developing index – Methods (Weighted Aggregate Value method, Weighted Average of Price Relatives method, Free-Float method) – Stock market indices in India – BSE Sensex - Scrip selection criteria –

Other BSE indices (briefly) – NSE indices – S&P CNX Nifty – Scrip selection criteria – Construction – Stock market indices in foreign countries (Overview).

**Unit – 5 : Commodity and Currency Markets:** Commodity exchanges : evolution and history – role in globalizing economy – governing regulations – price –risk management – commodity exposure – hedge accounting – currency futures – managing exchange rate – carbon markets – weather derivatives – ETFs – Purpose, Importance, types , construction

**Text Books:**

1. Punithavathy Pandian, “Security Analysis and Portfolio Management”, Vikas Publishing House Pvt. Ltd.
2. Prasanna Chandra, “Investment Analysis and Portfolio management”, Tata McGraw Hill, 3<sup>rd</sup> Edn., 2008

**References:**

1. V. A. Avadhani, *Investment and Securities Market in India*, Himalaya Publishing House.
2. Sanjeev Agarwal, *A Guide to Indian Capital Market*, Bharat Publishers
3. 5. Ravi Puliani and Mahesh Puliani, *Manual of SEBI*, Bharat Publication

## TECHNICAL ANALYSIS

**Objectives:**

**It enables to understand the techniques any investor or trader** looking for profits in the competitive, dynamic world of trading and how to take advantage of patterns, managing trades, psychology in trading and planning, technicals, utilizing charts and classic patterns.

**Unit -1 :** Technical Analysis: Meaning – Purpose - History – Importance - assumptions - News and Your Trading - Managing a Trade - Dealing with Disaster - Reward to Risk Ratio - Psychology in Trading and Planning - using Public Fear as a Trading Tool - Analysis of a Losing Trade – support vs resistance – Intraday trend – trading gaps

**Unit – 2 :** Charting Techniques : Trend-Determining Techniques - The Market Cycle Model Financial Markets and the Business Cycle - Dow Theory - Typical Parameters for Intermediate Trends –Eliot Wave theory - Price Patterns - Smaller Price Patterns - One and Two Bar Price Patterns - Trend lines – charts- types – swing trading strategies

**Unit 3 :** Technical Indicators : Moving Averages - Momentum Principles - Individual Momentum Oscillators : RSI vs Stochastic , MACD , TRIX , Volume indicators , volatility indicators – Bollinger Bands - - Chalkin Volatility Indicator - Sentiment Indicators

**Unit 4 :** Candle stick patterns: Constructing The Candlestick Lines - Drawing The Candle Lines - Reversal Patterns – Stars - Continuation Patterns - Doji

**Unit 5 :** Evaluation of Technical analysis: Cluster Of Candles, Candles With Trend Lines, Springs and Upthrusts , The Change of Polarity Principle, Candles With Retracement Levels, Candles With Moving Averages - The Simple Moving Average, The Weighted Moving Average, The Exponential Moving Average, Using Moving Averages , Candles With Oscillators – The power of convergence

**Text Books:**

1. Pring, Martin J. “**Technical Analysis Explained**” 4th Edition , McGraw Hill
2. Nison, Steve; Nison, Nison, “**Japanese Candlestick Charting Techniques**, 2nd Edition, PHP

**References:**

1. Prasanna Chandra, “Investment Analysis and Portfolio management”, Tata McGraw Hill, 3<sup>rd</sup> Edn., 2008
2. D., Schwager, Jack; Mark, Schwager, Jack D. & Etzkorn,” **Getting Started in Technical Analysis**”, John Wiley & Sons, 1999
3. Velez, Oliver, L, “**Strategies for Profiting on Every Trade**”, Marketplace Books, 2007

## **EQUITY RESEARCH**

**Objectives:**

The course aims to take decision on whether to stay invested in a company or sell the shares and come out. The equity research helps to study the companies, analyze financials, and look at quantitative and qualitative aspects mainly for decision making purpose.

**Unit 1: Risk and Return:** Meaning: Return and Risk - types of risk -systematic and unsystematic risk – Measuring expected return and risk - minimizing risk exposure - risk

measurement methods – Time value of money – financial ratios – Du Pont analysis – Forecasting bankruptcy (Altman's Z score).

**Unit 2: Stock valuation and Valuation of Financial Assets:** stock return and valuations – discounted cash flow valuation- constant growth model – two stage growth and three phase model – P/E ratio valuation - preferred stock valuation – Bond return and valuation – time value and present value concepts – YTM – Bond value theorems

**Unit 3: Fundamental Analysis :** Economic analysis, Industry analysis and Company analysis. Financial Statement Analysis: shareholder's equity- balance sheet and Income statement –cash flow – analysis of growth and sustainable earnings , Financial and Valuation Modeling: price-earnings ratio – anchoring value on earnings – reverse engineering the model for active investing

**Unit 4: Behavioral Finance :** Irrational influences – heuristic driven biases – Frame dependence – Emotional and social influences - Efficient market theory - basic concepts - Forms of EMH – Random Walk Theory – Market Inefficiencies – Strategies for overcoming psychological biases

**Unit 5 : Portfolio Management :** Portfolio construction - approaches –selection of portfolio- Simple diversification – Markowitz model – Markowitz efficient frontier – Single Index model - Sharpe Index model – optimal portfolio – CAPM and APT - Portfolio Evaluation Measures – Portfolio revision: passive and active strategies – Formula plans – variable ratio plan

**Text Books:**

1. Punithavathy Pandian, "Security Analysis and Portfolio Management", Vikas Publishing House Pvt. Ltd.
2. Fisher & Jordan, "Security Analysis and Portfolio Management", PHI, Delhi

**References:**

1. Prasanna Chandra, "Investment Analysis and Portfolio management", Tata McGraw Hill, 3<sup>rd</sup> Edn., 2008
2. Stephen H Penman, "Financial Statement Analysis and Security Valuation", Tata McGraw Hill publishing Ltd, Delhi, 2007
3. Amudha R & Anbalagan M, "Heuristic Behavioral Factors", Global Research Publications, Delhi, 2011

# DERIVATIVES AND RISK MANAGEMENT

## **Objectives:**

This course helps to understand how derivatives are an efficient and risk management tool which, when used properly, can enhance the ability to deliver specific tailored risks/return profiles and hedge out unwanted risks.

## **Unit I**

**Derivatives Markets** - Derivatives: Meaning, History & functions of derivatives market, participants in Derivative market, Legal framework of derivatives market in India with respect to equity, Currency and Commodity derivatives, Forwards and Futures contract, swaps.

## **Unit II**

**Forward and Futures contracts:** Futures vs Forward contracts, Forward rate agreements, Cost of carry, Basis and convergence, Marking to Market, Forward Interest rates, Financial futures vs commodity futures, Forward Vs futures pricing, Hedge ratio, stock index futures, pricing stock index futures

Future prices vs Expected spot prices, Expectation hypothesis, Normal backwardation, Contango - Mechanics of trading in derivatives: Clearing house, SPAN Margin, Cash Vs Actual delivery, Regulations.

## **Unit III**

**Options:** call & put options, American and European, In-the-money, At-the-money, Out-of-the money, Option valuation - Intrinsic and time values - Determinants of Option values, Black – Scholes pricing model, Binomial option pricing model, The Greeks, Index options, foreign exchange options, futures options.

## **Unit IV**

**Option trading strategies:** long calls, long puts, Protective put, covered call, straddles, strangles Vertical spreads, Collars. - Hedging using Strategies: Protective puts, protective calls, covered calls, spreads, combinations, Riskless Hedging.

## **Unit V**



**Pricing and Valuing Swaps:** Evolution of swaps, Types - Interest rate swaps, Currency swaps, commodity swaps, equity swaps, Index swaps, Pricing currency swap, pricing commodity swap, Credit risk in swaps, Interest rate futures: Hedging interest rate risk using interest rate futures

**Text Books:**

1. John C Hull, “ Options, Futures, and Other Derivatives” , (7th Edition), , Pearson Higher Education (2010)
2. David A. Dubofsky & Thomas W. Miller, Jr. “Derivatives – Valuation and Risk Management”, Oxford University Press, 2009

**References:**

1. NCFM – Derivatives Dealers Module book, National Stock Exchange of India Ltd, 2009
2. NCFM - Options Trading Strategies Module book, National Stock Exchange of India Ltd, 2009
3. Varma A., “Derivative and Risk Management”, (1st Edn.), Tata McGraw Hill.

## **FINANCIAL ANALYSIS AND REPORTING**

**Objectives :**

The main objective of financial analysis and reporting is to facilitate the students to know about the company/industry’s financial status, its debt, revenue, expenditure, capital employed, share price, segmental revenue/expenditures etc. With Financial analysis we can know the present company/ industry/ sector’s status , performance , growth and forecast its future prospects.

**Unit I Introduction –FSA :**

Financial statements- Analyzing the Balance Sheet using Excel- Work sheet –Formatting – Audit tool bar – Graphics Viewing Formula -Decision making relationship with FS&FSA-Sources of information for FA-Traditional and new approaches to FSA

**Unit II Techniques of FSA (Financial Statement Analysis) :**

Comparison- Intra firm, Inter firm, Inter period analysis, Regional performance analysis, Cross sectional analysis, Residual method, Beyond national boundary analysis-merits and limitations-Types of analysis- Comparative, common-size, trend analysis, Ratio analysis - merits and limitations

**Unit III Income Statement Analysis :**

Factors affecting reported income –Classification of income statement analysis-Barriers and measures to overcome objective income statement analysis-Revenue and expenses recognition-Techniques used by Management for earning manipulation.

#### **Unit-IV Balance Sheet Analysis :**

Asset Reporting - Accounting for Fixed Assets – Accounting for Liabilities –Off Balance sheet liabilities

#### **Unit- V Financial Distress And Scams :**

Need for corporate failure analysis-Stages, Symptoms in FD-Concepts on sickness, Distress, Failure and insolvency-Factors responsible for FD. Assessing Bankruptcy status as per Altman's Model- Corporate(Accounting) scams Enron, World com, Satyam –Measures taken by SEBI, Companies act to prevent scams after US Soxy Act 2002.

#### **Text Books:**

1. Stephen H Penman, financial Statement analysis and Security Valuation, Tata McGraw hill publishing company ltd. New Delhi, 2007.
2. Gokul Sinha, Financial Statement analysis, Prentice Hall of India, New Delhi 2009.

#### **References:**

1. John J.wild K.R.Subramanyam and Robert F. Halsey, Financial Statement Analysis, Tata McGraw Hill Publishing company Ltd. New Delhi, 2004.
2. Krishna G. Palepu, Paul M. Healy and victor L. Bernard, Business Analysis and Valutaion using Financial statements, Cengage Learning India Pvt Ltd., New Delhi, 2006.
3. Ruzbeh J. Bodhanwala, Understanding and Analyzing Balance Sheets Using Excel Worksheet, PHI, New Delhi 2009.

## **TREASURY MANAGEMENT**

#### **Objectives:**

The objective of treasury management is to help students to understand minimise the cost of borrowing needed to finance operations and optimise the return on any surplus funds. To understand the role played by world bank in financing the International trade.

#### **Unit – I Treasury management in Banking Industry**

Concept and Functions of Treasury Management in Commercial banks-Treasury Products in Forex Market, Money Market and Securities Market-Funding and Regulatory aspects-CRR, SLR, Liquidity Adjustment Facility (LAF) and Payment and Settlement system.

### **Unit – II Risk Management Process in Banking**

Risks in Banking activities- Credit Risk, Liquidity Risk, Interest Rate Risk, Market Risk, Exchange Rate Risk and Operational risk-Risk Mitigation Measures. Capital Management in Banking-Capital Adequacy Norms-Basel II -Three Pillars Overview and Compliance Requirements.

### **Unit – III Commercial Banks and their Roles in Indian Economy**

Role of RBI in ensuring economic growth and Containing Inflation through Commercial banks

- Recent Trends in Banking - Retail Lending and Corporate Banking - Universal banking- Leasing and Hire purchase - Credit Rating- Home Loans- Mutual fund -Bancassurance
- Resolving customer complaints through Ombudsman.

### **Unit – IV Profit planning activities of Banks through Subsidiary activities**

Merchant Banking-IPO and Equity issue-Underwriting of Shares-Pricing of issue-Book building process-Profit earnings through non fund based activities like issue of LCs, Bank Guarantees etc. and other fee based activities. -Increasing liquidity and profitability through the process of Securitization.

### **Unit – V Financing of International Trade- Indian Perspectives**

International Monetary System-Bretton Woods System-Flexible Exchange Rate system Fixed and Floating rate system-World Bank and its affiliates-International Monetary Fund-special drawing Rights. Incoterms - International methods of Payments and settlements - Letter of Credit - Provisions of UCPDC - Exports and Imports - Exchange control requirements - Pre-shipment and Post Shipment finance - Role of EXIM Bank and ECGC.

### **Text Books**

1. Varsnney and Mittal - Indian Financial System - Sultan Chand Publications, New Delhi. 2003
2. Avadhani. V.A - Treasury Management in India - Himalaya Publishing House, 2002

### **References:**

1. M.Y. Khan - Financial Services – Tata McGraw Hill , 2004
2. M.Y.Khan, Indian Financial System, Tata McGraw Hill, 2007
3. Apte.P.G. - International Financial Management - Tata McGraw Hill Publishing Company Ltd, 2002