

Brief Contents

Preface		200
Acknowledgeme	nts	2011
About the Auth	bor	xix
	PART I: THE INVESTMENT ENVIRONMENT	
Chapter 1	Nature and Scope of Investment Decisions	3
Chapter 2	Stock Markets in India/Stock Exchanges in India	21
Chapter 3	New Issue Market	55
Chapter 4	Stock Market Regulation	79
Chapter 5	Intermediaries	93
Chapter 6	Market Indices	111
Chapter 7	Capital Market Reform	127
	PART II: ALTERNATIVE INVESTMENT OUTLETS	
Chapter 8	Avenues of Investment	151
Chapter 9	Bond and Preference Share Valuation and Analysis	183
Chapter 10	Equity Shares Valuation and Analysis	205
	PART III: RISK AND RETURN, SECURITY ANALYSIS	
Chapter 11	Risk and Return	233
Chapter 12	Fundamental Analysis 1: Economic Analysis	291
Chapter 13	Fundamental Analysis 2: Industry Analysis	303
	Fundamental Analysis 3: Company Analysis	317
Chapter 14	Technical Analysis	335
Chapter 15	Efficient Market Theory	365
Chapter 16		381
Chapter 17	Behavioural Finance	

	PART IV: PORTFOLIO ANALYSIS AND MANAGEMENT	
Chapter 18	Portfolio Analysis: Risk and Return	393
Chapter 19	Portfolio Selection	400
Chapter 20	Capital Market Theory	425
Chapter 21	Portfolio Revision	455
Chapter 22	Performance Evaluation of Portfolio	471
Chapter 23	Forecasting of Portfolio Performance	493
Chapter 24	Portfolio Management	501
	PART V: DERIVATIVES	
Chapter 25	Financial Derivatives Markets	513
Chapter 26	Hedging, Options, Futures, Forward and Swaps	528
	PART VI: GENERAL TOPICS ON INVESTMENT	
Chapter 27	Commodity Market	577
Chapter 28	Foreign Portfolio Investment	591
Chapter 29	Mutual Fund	601
Chapter 30	Guidelines for Investment	623
Appendices		645
Index		679

Detailed Contents

		National Stock Exchange of India Ltd.	33
Preface	$\approx \nu$	Country Exchange of India (C1004)	35
Acknowledgements	×vii	Inter-connected Stock Exchange of India	37
About the Author	$\varkappa i \varkappa$	Demutualisation of Stock Exchanges	39
		Demutuanisation of Section	40
PART II THE INVESTMENT ENVIRONMENT		 Money Market Composition of the Indian Money Market 	42
Chapter 1: Nature and Scope of Investment		Composition of the file. Composition Composition	44
	3	Certificate of Deposit	46
Decisions	4	Call Money Market (REPOS)	46
Definition of Investment	5	Repurchase Agreements (REPOS)	47
Nature of Investment Decisions	5	 Bills Rediscounting 	51
The Investment Process Policy	6	Summary	51
 Investment Objectives and Policy 	6	 Short and Easy Questions 	54
Security Analysis	7	• References	55
Portfolio Construction	7	Chapter 3: New Issue Market	56
The Investment Environment	9	C. J. Evchange	30
• Financial Intermediaries	9	Distinctions between New Issue Market	56
s Speculation	10	and Stock Exchange	56
Cambling versus Speculation		Relationship between New Issue Market	
Investment Versus Carlos Influencing Investment Attributes/Factors Influencing	10	and Stock Exchange	57
Selection of Investment	11	Functions of New Issue Market	57
Investment Alternatives	13	Underwriting	58
Investments and Innovation	13	Methods of Floating New Issues	59
			60
The Land Livery of the Line of	17	Follow on Public Offering (FPO)	61
Common Mistakes/Errors in Points to be Considered for Successful Investing		Green Shoe Option	62
	17	Kinds of Offer Documents	62
Summary Duestions	18	Discharges of Floatation	63
Short and Easy Questions	20	• Promoters	64
• References	es	Free Pricing of Issues	64
Chapter 2: Stock Markets in India/Stock Exchange	21		65
to India	22	- F.IPO	66
in India Introduction - Operations of Indian Stock Market	22	I P. COTRS	66
Definition of Capital Market	22		67
• Demillion of Carlon	23	AL Book Building	67
Classification Crack Market			69
Purpose Stock Market Shortcomings of Stock Markets	23		69
Shortcomings of Stock Market	25		69
Primary vs Secondary Market Primary vs Secondary Market	25	D I Deal	72
Stock Market in India Stock Market in India Stock Market in India	25		73
Stock Market Information System Stock Market Information System Principal Weaknesses of Indian Stock Market Principal Weaknesses of Indian Stock Market	3(Summary Short and Easy Questions	74
		7 (76
Directions to Reform the	3:	2 • References	
Stock Exchanges			

Cha	pter 4: Stock Market Regulation	70		
•	Securities and Exchange Board of India	79	Cints	
•	Powers and Functions of SEBI	80	Social Security Funds	
•	Organisation (Management of SEBI)	80	Post Office Time Deposit	164
	Regulatory Framework of Security Market	82	rixed income Investment	165
	Regulation of OTCEI	85	Government Securities	166
	Regulation of the I	87	Deposit with Companies	166
	Regulation of the Investments of a Mutual Fund	90	Bullion/Gold, Silver, Platinum	169
	Short and F	90	Real Estate Investment	172
	Short and Easy Questions	91	New Avenues for Investment	172
Cha	pter 5: Intermediaries	0.2	limma-	173
	Brokers	93	• Short and E O	174
	Primary Dealers	94	• Pofosos	178
	Banking Services	97		179
	Investment Management Company	97	The Presence Share Val.	179
	Merchant Bankors /Insert D.	98		
	Merchant Bankers/Investment Banks	99	 The Three-step Valuation Process 	183
	Merchant Banks and Commercial Banks	99	 The General Valuation Framework 	184
	Fund Manager	101	 Valuation of Fixed Income Securities 	184
	Regulatory Bodies	102	Yield-to-Maturity (YTM)	186
•	Auditing Bodies	102	Valuation of Preference Shares	189
•	Credit Rating Agencies	104		196
•	Technology/Internet Providers	106	,	200
•	Summary	108		200
•	Short and Easy Questions	109		202
•	References	109	 Chapter 10: Equity Shares Valuation and Analysis The Present Value of Expected Stream of Benefits 	205
Cha	apter 6: Market Indices	111		206
•	Indices	112		206
•	Index Funds	112		207
•	Sensex - the Barometer of Indian Capital Markets	113		208
•	Sensex Calculation Methodology	113	Models Based on Price Ratio Analysis	213
	BSE-100 Index	114		
•	BSE-500 Index and Sectoral Indices	115	and Selecting Quantitative Strategies	216
	BSE Bankex	117	• Summary	224
	Sensex - Scrip Selection Criteria	121	Short and Easy Questions	224
	Summary	125	References	229
	Short and Easy Questions	125	DADT III. DICK AND DETTIEN	
•	References	125	PART III: RISK AND RETURN, SECURITY ANALYSIS	
Ch	napter 7: Capital Market Reform	127	Chapter 11: Risk and Return	233
	Recent Development in the Indian Stock Market	128	Introduction	234
	Meaning of Depository	133	Risk Defined	235
	Dematerialisation	136	Measurement of Risk	239
	Rematerialisation	136	Risk and Expected Return	241
	Depositories in India	137	Risk-return Relationship	244
	Custodial Services	138	Portfolio and Security Returns	245
	Nature of Transactions in Stock Market	139	Return and Risk of Portfolio	257
	Basic Types of Transaction	144	Portfolio Diversification and Risk	258
	Short and Fam O	145	Benefits of Diversification When Diversification When Diversification	264
	Short and Easy Questions References	145	When Diversification does not Help	283
		147	Summary Short and Easy Questions	283
	PART II: ALTERNATIVE INVESTMENT OUTL	ETS	References	288
	Chapter 8: Avenues of Investment	151	Chapter 12: Fundamental Analysis 1:	
	Investment Alternatives/Investment Avenues	152	Economic Analysis	291
	Equity Shares	153	Security Analysis and Investment Decision	292
		160	Fundamental Analysis	292
	Come of Investment Market	160 162	Economy - Industry - Company Analysis: a Framework	294

			Detailed Contentsxi	
	Investment-making Process	296)
	Economic Forecasting	297	Chapter 16: Efficient Market Theory Introduction	65
	Barometric or Indian Approach	298	miroducuon	366
•	Money and Stock Prices	299	Why should Capital Markets be Efficient? Alternative Efficient Market Hypotheses	366
•	Diffusion Index	299	Efficient Frontier: (i) Risk-free and	366
•	Geometric Model Building Approach	299	(ii) Risky Lending and Borrowing	2/7
•	Economy and Industry Analysis	300	Benefits of an Efficient Market (Investors Utility)	367 370
•	Summary	301	Evidence for Market Efficiency	370
	Short and Easy Questions	301	The Efficient Frontier and Portfolio Diversification	372
•	References	302	 Forms of the Efficient Market Hypothesis Summary 	375 377
Ch	apter 13: Fundamental Analysis 2:		Short and Easy Questions	378
Ind	dustry Analysis	303	References	378
•	Industry Analysis	304		201
•	Importance of Industry Analysis	305	Chapter 17: Behavioural Finance	381 382
•	Classification of Industries	306	Introduction C.D. L. invest Finance	382
•	Key Indicators in Analysis	306	Definitions of Behavioural Finance For Practitions	
•	Analytical Frameworks	307	Importance of Behavioural Finance for Practitione Of Behavioural Finance Of Behavioural Finance	383
•	Forecasting Methods	310	The three main Themes of Behavioural Finance Behavioural Finance	384
•	Conditions and Profitability	312	History and Precursors to Behavioural Finance	385
•	Industry Analysis Factors	313	Investor Biases	387
•	Summary	314	 Behavioural Themes 	388
	Short and Easy Questions	314	• Summary	388
	References	315	 Short and Easy Questions 	388
			References	500
	apter 14: Fundamental Analysis 3:	317	PART IV: PORTFOLIO ANALYSIS AND	
Co	mpany Analysis	318	MANAGEMENT	
•	Need for Company Analysis	318	Dish and Petuen	393
•	Framework of Company Analysis	319	Chapter 18: Portfolio Analysis: Risk and Return	394
•	Fundamental Analyst's Model		Introduction	394
•	Determining Earnings - Multiplier (P/E) Ratio	324 324	Inputs to Portfolio Analysis	396
•	Dividend Discount Model of Valuation		Portfolio Analysis and Selection Portfolio Analysis and Selection	1000000
	Comparative P/E Approach	326	 Markowitz Diversification and Classification of Risk 	398
	Growth Stocks	326	Traditional Portfolio Analysis	398
	Forecasting Earnings Per Share	330	Summary	398
	Summary	332	Short and Easy Questions	11 15 15 15
	Short and Easy Questions	332	References	398
	References	333	Chapter 19: Portfolio Selection	401
		335	Portfolio Management	402
Ch	apter 15: Technical Analysis	336	Diversification	402
•	Introduction to Technical Analysis and Assumptions	337	Optimal Portfolio: Selection and Problems	402
•	Technical V/S Fundamental Analysis	340	Rates of Return	404
•	Old Puzzles and New Developments	342		404
•	Neutral Networks	342	Expected Return on a Portfolio Ciacle Lader Market Model	40
	Tools of Technical Analysis	343	Sharpe's Single Index Market Model Criterion Cri	41
•	Dow Theory	345	Markowitz Model: The Mean-variance Criterion	42
	Criticism of Dow Theory	347	Other Portfolio Selection Models	42
	Types of Trend		• Summary	42
	Technical Analysis: Chart Types	348	Short and Easy Questions	
	Technical Analysis: Moving Averages	355	• References	42
	Exponential Moving Average (EMA)	356	Ct 20. Capital Market Theory	42
	Major Uses of Moving Averages	357	Chapter 20: Capital Market Theory	42
	Technical Analysis: Indicators and Oscillators	358	Risk-free, Risky Lending and Borrowing	42
	Limitations of Charte	358	Introduction to CAPM	42
	Limitations of Charts Theory	359	Portfolio Risk	43
	The Short Interest Ratio Theory	360	Security Market Line (SML)	43
•	Criticisms of Technical Analysis	362	Capital Market Line (CML)	43
	Summary	363	Beta Factor of a Market Portfolio	44
•	Short and Easy Questions	363	Benefits and Limitations of CAPM	-
•	References			

		441	Hedging	
	Arbitrage Pricing Model	447	Portfolio Rebalancing	518
	Arbitrage Pricing Theory (APT)	449	Derivative Products	519
	Using the Apt	449	Options	519
	Modern Portfolio Theory	452	Introduction of Futures in India	520
	Summary	453	Frequently used Terms in Index Futures Market	520
	Short and Easy Questions	453	Myths and Realities about Derivatives	521
	References	400	• Summary	522
		455	Short and Easy Questions	525
Cha	pter 21: Portfolio Revision	456	References	525
	Meaning of Portfolio Revision	456		
	Need for Portfolio Revision	456	Chapter 26: Hedging, Options, Futures, Forward	
	Portfolio Revision Strategies	457	and Swaps	529
	Constraints in Portfolio Revision	458	Introduction CII I	530
	Formula Plans	463	Objectives of Hedging	530
	Summary	464	Risk Management Strategies	531
	Short and Easy Questions	468	Hedge Fund Strategies	532
	References	400	Forward Contract	534
Cha	pter 22: Performance Evaluation of Portfolio	471	Futures Contract	534
Cha	Introduction	472	Options	539
	Methods of Calculating Portfolio Returns	472	 Differences between Futures and Options 	539
•	Portfolio Performance and Risk Adjusted Methods	478	Market Players	543
•	Determinants of Portfolio Performance	486	• Effect of Increase in the Relevant Parametre	
		489	on Option Prices	544
•	Market Timing Benchmark Portfolios for Performance Evaluation	489	Option Pricing Models	545
•		490	The Binomial Model	550
•	Summary	490	Introduction of Futures in India	552
•	Short and Easy Questions	490	Risk Management Through Futures	554
•	References	490	Financial Derivatives	560
Cha	pter 23: Forecasting of Portfolio Performance	493	Weather Derivatives	560
	What are Neural Networks	494	Credit Derivatives	560
	Artificial Neural Networks	494		561
	Fuzzy Logic	495	• Swaps	565
	Behavioural Models	496	Swaption Uses of Desirentians	567
	Summary	498	Uses of Derivatives	567
	Short and Easy Questions	499	Types of Margins	
	References	499	Stock Index Futures	568
			• Summary	571
Ch	apter 24: Portfolio Management	501	Short and Easy Questions	571
	Old School of Investing	502	• References	572
	Phases of Portfolio Management	502	PART VI: GENERAL TOPICS ON INVESTME	NT
	Turning your Goals into a Strategy	502		
	Risk-reward Concept	503	Chapter 27: Commodity Market	577
	Investment Risk Pyramid	504	• Introduction	578
	Asset Allocation/Asset Mix	505	The Indian Connection	578
	Portfolio Strategies	505	The Indian Commodity Market	579
	Building an Investment Portfolio	506	Commodity and Currency Derivatives	
	Risk Reduction in the Stock Portion of a Portfolio Value Investing	507	- Introduction	579
	Summary	508	Legal Framework	580
	Short and Pare Co.	508	Policy Liberalisation	581
	Short and Easy Questions References	509	Wholesale Price Index	581
		509		582
	PART V: DERIVATIVES		Commodity Export Scenario	
C	hapter 25: Financial D.		Need for an Exchange-traded Commodity Derivatives Market	582
	Chapter 25: Financial Derivatives Markets	513	Summary	589
•	Characteristics of D	514		589
•	Children 101 Improve by	515	• Short and Easy Questions Chapter 28. Forming	591
	and Open at	515	Chapter 28: Foreign Portfolio Investment	592
	Derivative Instruments		investment in India	372
		516	Foreign Portfolio Investment as an Alternative Source	593

				Detailed Contents)
	Foreign Portfolio Investment Flows to Developing		Ch	apter 30: Guidelines for Investment 6:	23
	Countries	594		Basic Guidelines 6	24
•	Policies on Foreign Investment	595		Different Investment Commandments 6	27
	Portfolio Investment by Foreign Sources	596		The Frequently Committed Mistakes	531
•	FIIs and the Stock Markets	597			632
	Investors in Emerging Markets and their			Guidelines for Aggressive and Conservative	
	Motivation	598			634
	Summary	599		Make Your Money Work for You	635
	Short and Easy Questions	599		7 Great Investment Tips for Big Returns	636
	References	600		Personal Financial Planning — 7 Steps to do	638
	~	601		10 Money Mistakes to Avoid	639
Ch	apter 29: Mutual Fund	602		7 Tips for Avoiding a Lifetime of Debt	640
•	Concept of Mutual Fund	602		Past Experience which Leads to Ten Success Lesson	is
•	History of Mutual Funds Industry in India	604	•		641
•	Mutual Funds - Organisation	606		for You While Trading	641
	Advantages of Investing in Mutual Funds	607	•	Rule for Investing	642
	Types of Mutual Fund Schemes	609	•	Wealth and Health	- 17
	Mutual Fund Companies in India	609		25 Health and Wealth Behaviour Change Strategies	013
	Types of Mutual Fund Schemes in India			ADDENIDICES	
	Net Asset Value	614		APPENDICES	
	Creation of a Portfolio	617		Appendix A: Terminologies	647
	Portfolio Revision	618		Appendix B: Tax Aspects of Investment	675
	Summary	620		Appendix C: Websites of Interest	677
	Short and Easy Questions	620			679
	References	621	1	ndex	