

Indian Stock Market

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What is a Stock Market?

- A stock market or equity market is a public entity for the trading of company stock (shares) and derivatives at an agreed price.
- These are securities listed on a stock exchanges as well as those only traded privately.
- The stocks are listed and traded on stock exchanges which are entities of a corporation or mutual organization.

What is a Stock Exchange?

- A market in which securities are bought and sold: "the company was floated on the Stock Exchange".
- The initial offering of stocks and bonds to investors is by definition done in the primary market and subsequent trading is done in the secondary market.
- A stock exchange is often the most important component of a stock market.
- Supply and demand in stock markets are driven by various factors that, as in all free markets, affect the price of stocks.

Role of Stock Exchange

- Raising capital for business.
- Mobilizing savings for investments.
- Creating investment opportunities for small companies.
- Government capital rising for development projects.
- Facilitates company growth.

Stock Exchanges in India

| LOCATION | EXCHANGE |
|-----------|-------------------------------|
| MUMBAI | BOMBAY STOCK EXCHANGE |
| MUMBAI | NATIONAL STOCK EXCHANGE |
| JAIPUR | JAIPUR STOCK EXCHANGE |
| KANPUR | UP STOCK EXCHANGE ASSOCIATION |
| CHENNAI | MADRAS STOCK EXCHANGE |
| COCHIN | COCHIN STOCK EXCHANGE |
| BENGULURU | BANGLORE STOCK EXCHANGE |
| GAUHATHI | GAUHATI STOCK EXCHANGE |
| LUDHIANA | LUDHIANA STOCK EXCHANGE |
| KOLKATA | CALCUTTA STOCK EXCHANGE |

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graph TD; A[Stock Market] --> B[Primary Market]; A --> C[Secondary Market];
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Stock
Market

Primary
Market

Secondary
Market

Primary Market

- ❖ IPO vs Seasoned Issues
- ❖ Pricing of issues
- ❖ Public offer vs Private placement
- ❖ Demat issues

Pricing of Issues

Fixed Price

1. The Price is known in advance to the Investor and the demand is known at close of the issue.
2. Conservative Pricing (Low Price)
3. Generally oversubscribed.
4. It favors the Investors.

Book Building

1. Demand can be known at end of every day, but the price is known at the end of the day.
2. Aggressive Pricing (High Price)
3. No pressure of the unsatisfied demand in the market.
4. It favors the issuers.

Private Placement vs Public Issues

Private Placement

1. Issues are offered to mature and sophisticated institutional investors.
2. No disclosure requirements.
3. Issues are not screened and this increases risk.

Public Issues

1. Issues are primarily offered to retail investors.
2. Disclosure requirement is necessary and statutory.
3. All issues are screened.

Terms to know

- ✓ Demat Account
- ✓ Dematerialization
- ✓ Depository (NSDL & CDSL)
- ✓ Depository Participant (DP)
- ✓ Depository System Operation

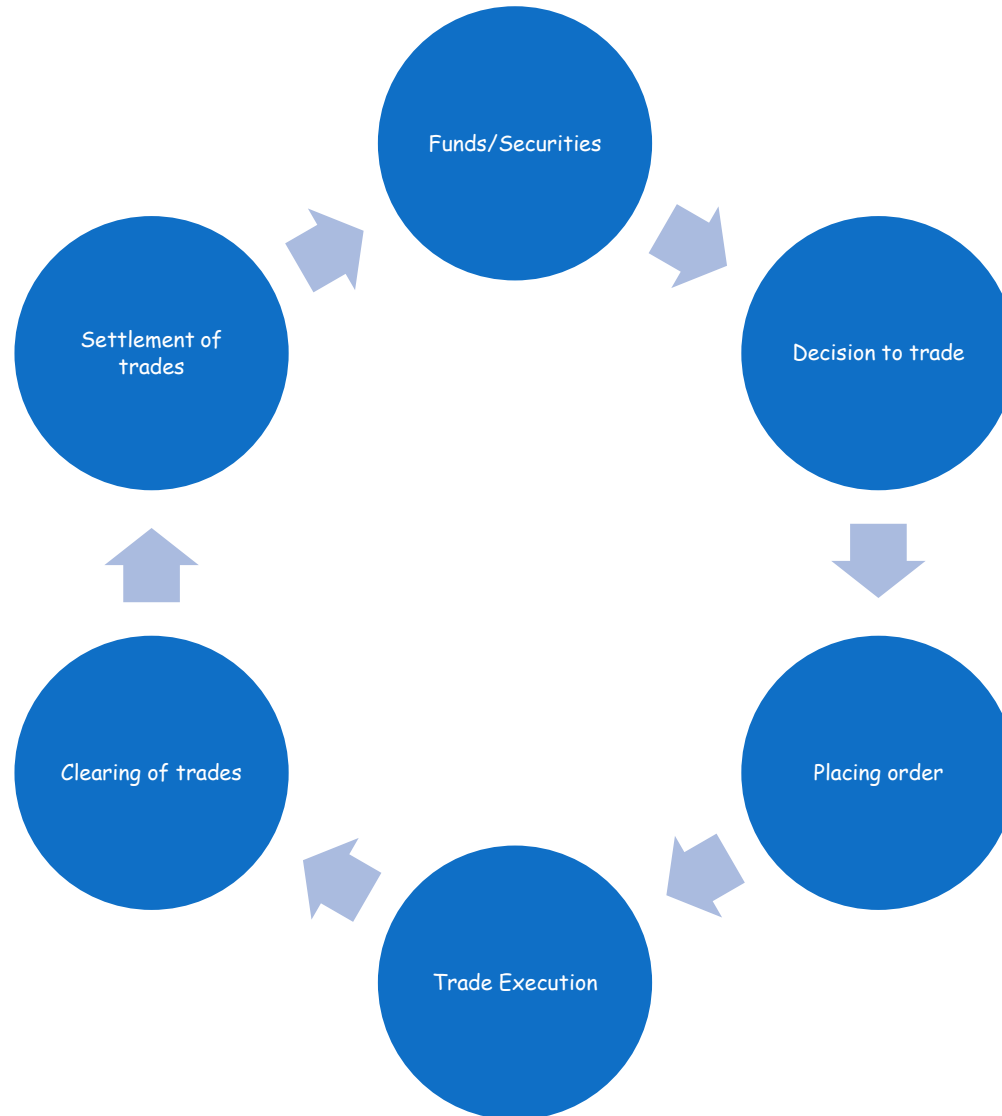
Secondary Market



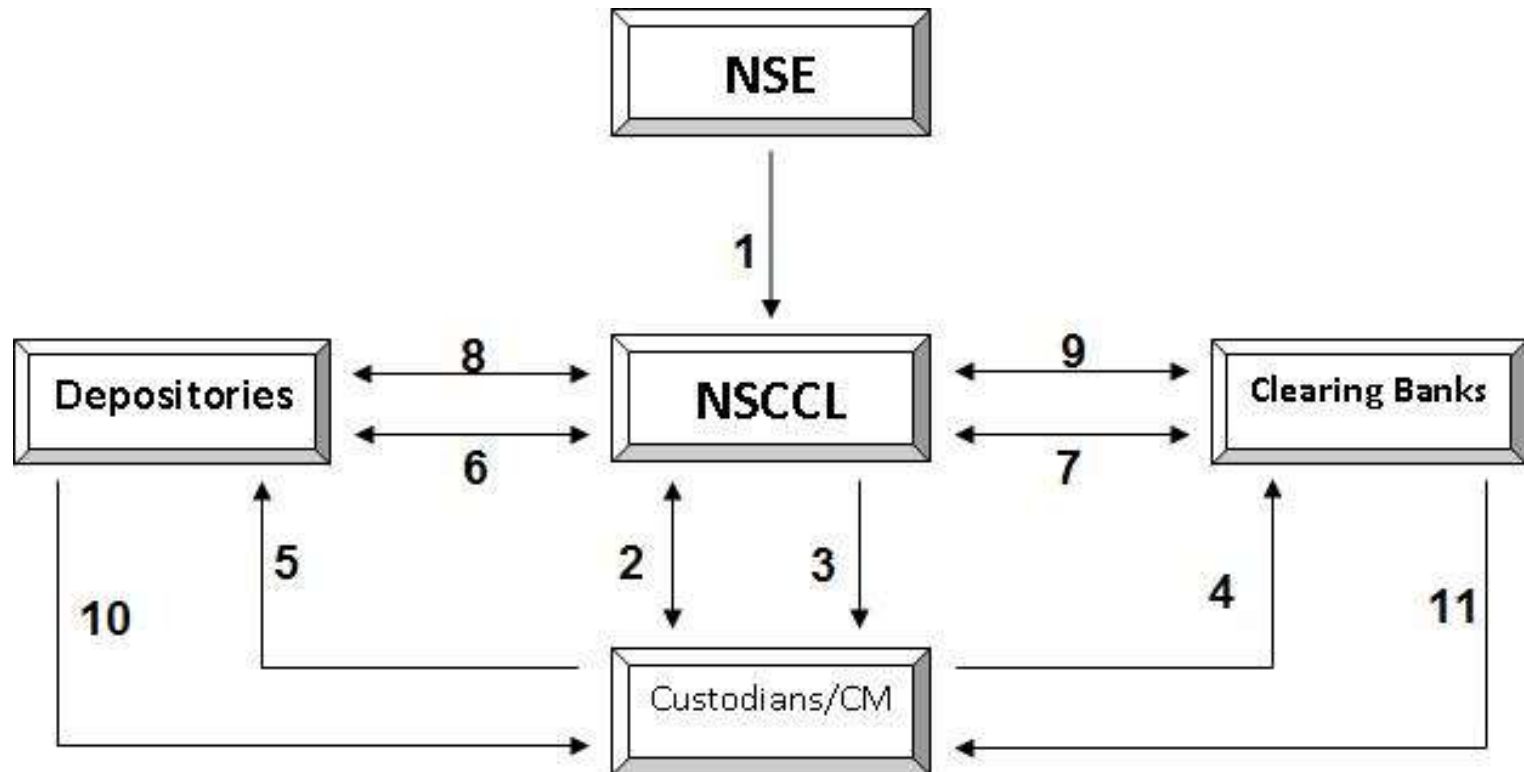
Terms used in Secondary Market

- Order Book
- Limit Order Book
- Margin
- Short Sell
- Long Position
- Short Position
- Arbitrage
- Stop Loss Order
- Delivery Position
- Intraday Position
- Closed Position
- Carry forward Position

Sec. Mkt's Transaction Cycle



Clearing & Settlement Process



Settlement cycle for rolling settlement

| | Activity | Day |
|-----------------|---|-----------------------|
| Trading | Rolling Settlement Trading | T |
| Clearing | Custodial Confirmation | T+1 working days |
| | Delivery Generation | T+1 working days |
| Settlement | Securities and Funds pay-in | T+2 working days |
| | Securities and Funds pay-out | T+2 working days |
| | Valuation of shortages based on closing prices | At T+1 Closing prices |
| Post Settlement | Auction | T+3 working days |
| | Bad Delivery Reporting | T+4 working days |
| | Auction Settlement | T+5 working days |
| | Rectified bad delivery pay-in and pay-out | T+6 working days |
| | Re-bad delivery and pickup | T+8 working days |
| | Close out of re-bad delivery and funds pay-in & pay-out | T+9 working days |