

# Indbankonline

## MARKETS FOR YOU

Private Circulation only

December - 2013

Issue - 79

### From the President's Desk

Another year is fast approaching its end!! The year has been a rollercoaster ride and the forthcoming year promises to be an equally eventful one with the elections and the accompanied political & policy undertones. Our indices journeyed from their lows in April to reach historical highs during the past two months. There are predictions that they will inch even higher. However, there are reports that retail investor participation is at its all time low during the current phase. What will it take to restore investor confidence? Why has the retail investors not returned to the markets?

When I put these questions to some of our clients, their responses were invariably the same – the ideal thing is to buy low and sell high but they have bought high and still waiting to sell them as their stock prices have come down post their buy. Agreed!! Mutual Funds and Institutions have access to more research and analytical tools to pick stocks, but with equities as an asset class always out performing other asset classes, how is it that most of the investments fail to generate profits!! The most pertinent mistake investors do, is trying to time the markets. It's always difficult to predict the markets, more so the price movements of individual stocks. In trying to do so, we end up entering at high's, watch the stock price decreasing and sell it at a low when the momentum of recovery is underway.

Another important point is that, stocks are not just instruments. When we buy a stock, we become part of the company and our profits/losses get's linked to the performance of the company. Hence, one should always invest in companies with good track record of dividends and in good financial health. The information on the companies is available in our website [www.indbankonline.com](http://www.indbankonline.com). Please go through our weekly research reports and monthly publication "Markets For You" for tips on specific stocks/mutual funds. However, the fact is that investors seldom give this a thought and end up buying not so prominent companies. Gone are the days, when investing in equity means investing only in shares. There are Options, Exchange Traded Funds, Mutual Funds etc - each serving different needs. Hence let's start to invest based on our needs/reasoned understanding and not based on the macro economic factors alone which are beyond our control.

Last issue, we have started a series on Options in our "Beginners Corner". We have explained in detail the "Option Chain" in this issue. We trust you to find the information useful. Finally,



**Mr. BANABIHARI PANDA**  
President & Whole time Director  
Indbank Merchant Banking Services Ltd

**WISHING ALL OUR CLIENTS  
A VERY HAPPY AND PROSPEROUS NEW YEAR 2014 !**

**Banabihari Panda**

*President and Whole Time Director*  
Indbank Merchant Banking Services Ltd

02/12/2013



**Our website : [www.indbankonline.com](http://www.indbankonline.com)**

## IMPORTANT HAPPENINGS

1. Finance Minister Mr. P Chidambaram has said that the Current Account Deficit (CAD) will be contained below \$60 billion this financial year.
2. Asian Development Bank will provide a loan of \$2 billion annually for five years till 2017 to India, to create jobs, enhance investment reforms and improve infrastructure.
3. In an attempt to seek discipline from companies on unclaimed investor funds, the Corporate Affairs Ministry will identify companies that have such funds but have not disclosed the same to the Registrar of Companies.
4. Insurance Regulatory and Development Authority of India (IRDA) has doubled the investment limit in liquid mutual funds for General Insurers to 1.5% of the assets.
5. The Reserve Bank of India has come out detailed guidelines on how foreign banks will operate in India.
6. The Ministry of Petroleum and Natural Gas has requested the Finance Ministry to review the duties levied on branded auto fuels (petrol/diesel) to bring down the price differential with non-branded or regular fuels.
7. SEBI has initiated nearly 200 attachment proceedings for recovery of investor's money and unpaid penalties from various defaulters.
8. Securities and Exchange Board of India (SEBI) has mandated all stock exchanges to report all major non-compliances and observations by system's auditor's of stock brokers on a quarterly basis.
9. SEBI is considering a proposal to make it mandatory for companies to seek approval of the majority of minority shareholders for the remuneration package of promoter directors.
10. In order to attract capital inflows, the RBI allowed SEBI-registered Foreign Institutional Investors (FIIs) and Qualified Foreign Investors (QFIs) to invest in the credit enhanced bonds up to a limit of \$ 5 billion. These investments would be within the overall limit of \$ 51 billion earmarked for corporate debt.
11. SEBI has tightened the disclosure norms for listed corporates so that investors can get more insight into events that affect company's operations and stock price movements.
12. Rating agency Moody's has maintained its negative outlook on the India's banking sector, citing worries over asset quality and overall economic growth prospects

## Snap Shots

Inflation (%)	7.00 (Oct. 2013)	6.46 (Sep. 2013)	6.46 (Sep. 2013)	6.10 (Aug. 2013)
Particulars	22 <sup>nd</sup> Nov. 2013	15 <sup>th</sup> Nov. 2013	08 <sup>th</sup> Nov. 2013	01 <sup>st</sup> Nov. 2013
91-Day Cut-off (%)	8.9388	8.9807	8.5619	8.6038
10-yr G-Sec yield (%)	9.0945	9.0311	9.0492	8.8180
1-10 yr spread (bps)	25	26	57	41
USD/INR(Rs)	63.0236	63.0645	62.7315	61.9046
USD 6m LIBOR	0.35	0.35	0.35	0.35
10 Y US Treasury	2.75	2.71	2.75	2.62
USD/Euro Spot	0.738007	0.741779	0.748717	0.741688

## Global Indices

Indices	Country	Index as on 30 <sup>th</sup> Oct. 2013	Index as on 25 <sup>th</sup> Nov. 2013	Variation (%) (Inc/ Dec)
NASDAQ	United States	3,930.62	3,994.57	1.63
DJIA	United States	15,618.76	16,072.54	2.91
S&P 500	United States	1,763.31	1,802.48	2.22
Hang Seng	Hong Kong	23,304.02	23,684.45	1.63
Nikkei 225	Japan	14,502.35	15,619.13	7.70
Shanghai Composite	China	2,160.46	2,186.11	1.19
Straits Times	Singapore	3,230.44	3,180.65	(1.54)
FTSE 100	United Kingdom	6,777.70	6,694.60	(1.23)
CAC 40	France	4,274.11	4,301.97	0.65
DAX	Germany	9,010.27	9,299.95	3.21
SENSEX	India	21,033.97	20,605.08	(2.04)
NIFTY	India	6,251.70	6,115.35	(2.18)

## Institutional Investments

Category	Debt / Equity	Gross Purchases (Rs Crores)	Gross Sales (Rs Crores)	Net Investment (Rs Crores)
FII Investments (in November up to 26.11.13)	Equity	43992.30	35614.70	8378.00
	Debt	8565.70	14103.10	(5537.60)
Mutual Fund (in November up to 21.11.13)	Equity	4188.40	5848.90	(1660.30)
	Debt	54440.20	35627.30	18813.00
FII Derivative Trades (in November up to 26.11.13)	INDEX FUTURES	INDEX OPTIONS	STOCK FUTURES	STOCK OPTIONS
- Buy	40270.95	260910.33	42241.36	19794.66
- Sell	43756.31	254602.41	44230.63	19882.57

## Editorial Team

**Banabihari Panda**  
President and Whole-time Director

**S. Rajalakshmi**  
SSO

# IPO and NFO Review

## IPO NEWS

- China based financial services company Cinda Asset Management Corp has got approval from the listing committee of the Hong Kong Stock Exchange for its IPO. It proposes to raise upto US\$ 2 billion.
- Eros International became the first Indian media company to list on the New York Stock Exchange (NYSE), when its ordinary stock was listed in the exchange on 14th November 2013. It was priced at US\$ 11 per share with symbol "EROS".
- Bonmarch, a clothing retailer based in Wakefield, England, announced successful pricing of its IPO and it will get listed in Alternative Investment Market in London.
- Shotformats Digital Production Pvt. Ltd. a Mumbai based digital distribution company and India's first VAS entertainment firm, is planning an IPO and get listed on NASDAQ in the coming two years.
- Sungy Mobile Limited, a mobile internet products and service provider has announced that it has priced its IPO of 7000000 ADR's (each ADR representing 6 Class A ordinary shares) at US\$ 11.22 per ADR.

## CORPORATE ACTIONS

### FORTH COMING CORPORATE ACTIONS

Company Name	Symbol	Record Date	Ex Date	Purpose
Aurobindo Pharma Limited	AUROPHARMA	20-Nov-13	19-Nov-13	Interim Dividend - Rs 1.25/- Per Share
Tara Jewels Limited	TARAJEWELS	20-Nov-13	19-Nov-13	Interim Dividend - Re 1/- Per Share
Sun TV Network Limited	SUNTV	20-Nov-13	19-Nov-13	Interim Dividend Rs. 2.50 Per Share (Purpose Revised)
Mayur Uniquoters Ltd	MAYURUNIQ	20-Nov-13	19-Nov-13	Interim Dividend - Rs 1.25/- Per Share
Ingersoll Rand (India) Limited	INGERRAND	20-Nov-13	19-Nov-13	Interim Dividend - Rs 3/- Per Share
Aarti Industries Limited	AARTIIND	20-Nov-13	19-Nov-13	Interim Dividend - Rs 1.75/- Per Share
Aarti Drugs Limited	AARTIDRUGS	20-Nov-13	19-Nov-13	Interim Dividend Rs. 3/- Per Share
Timken India Limited	TIMKEN	21-Nov-13	20-Nov-13	Interim Dividend Rs. 6.50 Per Share
Hinduja Global Solutions Limited	HGS	23-Nov-13	21-Nov-13	Interim Dividend - Rs 5/- Per Share
Max India Limited	MAX	22-Nov-13	21-Nov-13	Interim Dividend - Rs 1.80/- Per Share
Take Solutions Limited	TAKE	22-Nov-13	21-Nov-13	Interim Dividend - Re 0.30/- Per Share
Multi Commodity Exchange of India Limited	MCX	22-Nov-13	21-Nov-13	Interim Dividend Rs. 7/- Per Share
Godrej Properties Limited	GODREJPROP	22-Nov-13	21-Nov-13	Face Value Split From Rs. 10/- To Rs. 5/-
MT Educare Limited	MTEDUCARE	22-Nov-13	21-Nov-13	Interim Dividend Re. 1/- Per Share (Purpose Revised)
Relaxo Footwears Limited	RELAXO	25-Nov-13	22-Nov-13	Face Value Split From Rs. 5/- To Re. 1/-
Gujarat Gas Company Limited	GUJRATGAS	25-Nov-13	22-Nov-13	Interim Dividend - Rs 9/- Per Share
DCM Limited	DCM	26-Nov-13	25-Nov-13	Interim Dividend - Rs 1.50/- Per Share
Colgate Palmolive (India) Limited	COLPAL	10-Dec-13	09-Dec-13	Second Interim Dividend
Oil & Natural Gas Corporation Limited	ONGC	11-Dec-13	10-Dec-13	Interim Dividend

### NEW LISTINGS

Company Name	Offer Price (Rs.)	Exchange	Listing Date	List Price (Rs.)	Latest Traded Price	% Change to List Price (Rs.)
Stellar Capital Services Ltd.	20.00	BSE – SME	01.11.2013	20.10	15.30	(23.88)
MITCON Consultancy Ltd.	61.00	NSE – SME	01.11.2013	60.00	44.05	(26.58)
Orbit Exports Ltd.	25.00	NSE – SME	05.11.2013	114.90	96.45	(16.06)
Lypsa Gems & Jewellery Ltd.	10.00	NSE – SME	05.11.2013	148.50	149.00	0.34
SRS Finance Ltd.	10.00	BSE – SME	18.11.2013	39.40	41.55	5.46

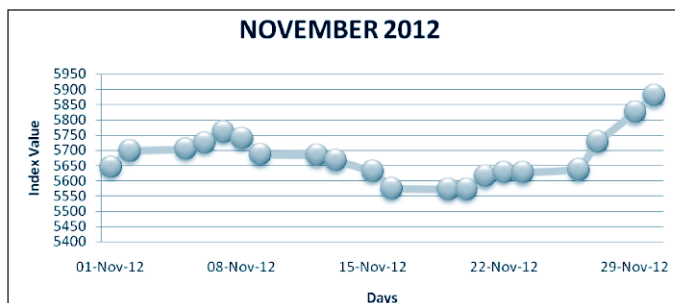
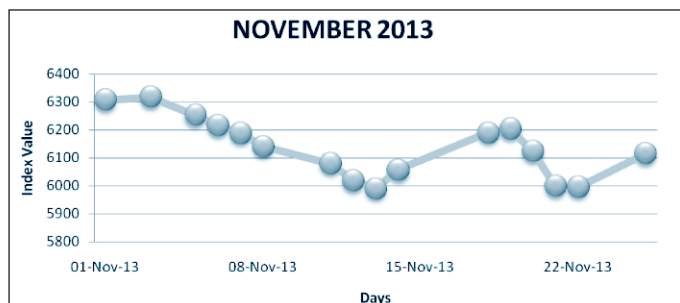
### FORTHCOMING ISSUES

Company Name	Offer Price (Rs.)	Exchange	Issue Type	Issue Opening Date	Issue Closing Date
Power Grid Corporation of India Ltd.	--	BSE & NSE	Public cum Offer for Sale	03.12.2013	06.12.2013

### NEW FUND OFFERS

Scheme	Type	Class	Open Date	Close Date	Offer Price	Min. Inv. Amount
Reliance CE Eq SA	Close	Equity – Diversified	15.11.2013	29.11.2013	10	5000
ICICI Pru MultiYSSB	Close	Debt – Income	15.11.2013	29.11.2013	10	5000
BirlaSL CPO Series17	Close	Debt – Income	20.11.2013	29.11.2013	10	5000
DWS Hybrid FTF S19	Close	Debt – FMP	20.11.2013	29.11.2013	10	5000
ICICI Pru Value S2	Close	Equity – Diversified	18.11.2013	29.11.2013	10	5000
TATA FMP S46 Scheme A	Close	Debt – FMP	25.11.2013	02.12.2013	10	5000
BirlaSL FTP S JC	Close	Debt – FMP	27.11.2013	02.12.2013	10	5000
Reliance FHF XXVS6	Close	Debt – FMP	28.11.2013	02.12.2013	10	5000
Religare Inv FMPSXXIF	Close	Debt – FMP	27.11.2013	03.12.2013	10	5000
Axis FTP S43	Close	Debt – FMP	26.11.2013	04.12.2013	10	5000
BirlaSL Bank & Financial Services Fund	Open	Equity – Sector Fund	25.11.2013	09.12.2013	10	5000

## MARKET COMPARISON



## OUR PICKS

### HAVELLS INDIA LTD.

A electrical consumer production & power distribution company operating in switchgears, cable, lightning & fixtures and electrical consumer durables segments.

#### Investment Rationale

- ✦ Impressive rise in standalone profits.
- ✦ Healthy cash flow generation.
- ✦ Extensive product portfolio of electric consumer durables.
- ✦ Expansion into home appliances segment.
- ✦ Rising Electrification.
- ✦ **KEY RISK:** Rise in CAD & Entry of new players.
- ✦ EPS: 46.60.
- ✦ PE Ratio: 15.10.
- ✦ Book Value: Rs. 115.60.

### BUY – Long Term

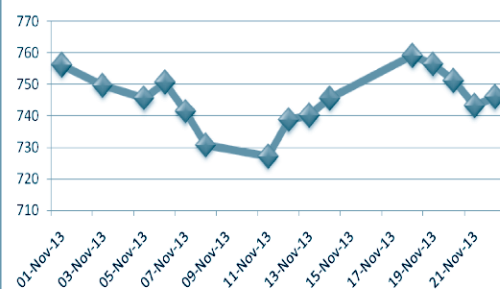
**CMP** : Rs. 756.95\*

**Target** : Rs. 940.00

**52W H/L** : Rs. 817/557

**Potential Upside** – 25.00%

#### HAVELLS INDIA LIMITED



**BSE Code:** 517354

**NSE Code:** HAVELLS

### MULTI COMMODITY EXCHANGE OF INDIA LIMITED.

India's leading commodity futures exchange with a market share of 87.3%.

#### Investment Rationale

- ✦ 6th largest commodity exchange in the world
- ✦ Market Leadership in India.
- ✦ Untapped opportunities in India's commodity market.
- ✦ Reconstitution of BoD.
- ✦ Improved margins.
- ✦ New products.
- ✦ **KEY RISK:** NSEL Scam.
- ✦ EPS: 58.70.
- ✦ PE Ratio: 8.20.
- ✦ Book Value: Rs. 227.10.

### BUY – Long Term

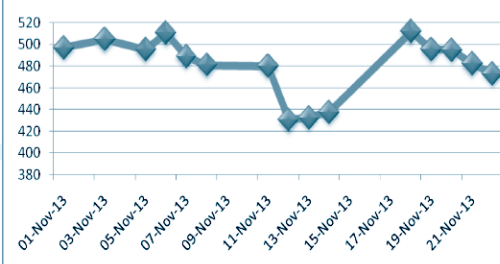
**CMP** : Rs. 472.80\*

**Target** : Rs. 540.00

**52W H/L** : Rs. 1617.9/238.2

**Potential Upside** – 12.30%

#### MULTI COMMODITY EXCHANGE OF INDIA LIMITED



**BSE Code:** 534091

**NSE Code:** MCX

### RAYMOND LTD.

A part of global conglomerate incorporated in 1925, producing wool blended and premium polyester viscose suiting.

#### Investment Rationale

- ✦ Largest integrated manufacturer of worsted fabric in the world.
- ✦ Healthy performance in Q2FY14.
- ✦ Opportunities in export segment.
- ✦ Divestment of stake in engineering firm.
- ✦ Entry into hair care segment.
- ✦ **KEY RISK:** Sluggish consumer demand, increasing cost of production.
- ✦ EPS: 4.70.
- ✦ PE Ratio: 58.20.
- ✦ Book Value: Rs. 224.60.

### BUY – Long Term

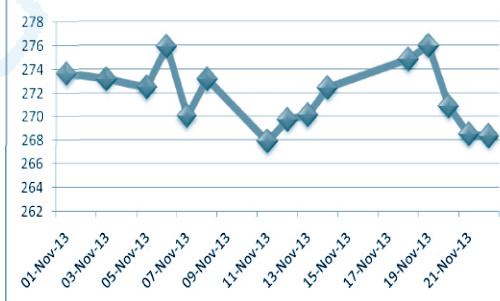
**CMP** : Rs. 271.50\*

**Target** : Rs. 318.00

**52W H/L** : Rs. 488.5/175.5

**Potential Upside** – 16.90%

#### RAYMOND LIMITED



**BSE Code:** 500330

**NSE Code:** RAYMOND

### MCLEOD RUSSEL INDIA LTD.

Largest private sector tea plantation company with 38758 hectares of tea cultivation.

#### Investment Rationale

- ✦ Decent gains in Q2FY14 despite slowdown.
- ✦ 13-14% increase in volume expected.
- ✦ Increase in production capacity to 140-150 mn.
- ✦ Favourable weather conditions.
- ✦ Opportunities in Tea Sector.
- ✦ **KEY RISK:** Production Stagnation, increasing labour costs.
- ✦ EPS: 25.00.
- ✦ PE Ratio: 11.10.
- ✦ Book Value: Rs. 178.20.

### BUY – Long Term

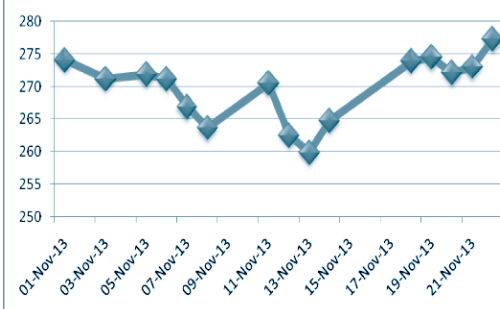
**CMP** : Rs. 280.30\*

**Target** : Rs. 320.00

**52W H/L** : Rs. 287/240.4

**Potential Upside** – 15.40%

#### MCLEOD RUSSEL INDIA LIMITED



**BSE Code:** 532654

**NSE Code:** MCLEODRUSS



## OUR PICKS FOR MEDIUM TERM BUYING

<b>HERO MOTOCORP LIMITED.</b> <b>World's largest 2-wheeler manufacturer.</b> <b>Stock Return</b> <ul style="list-style-type: none"> <li>3 Months – 17.90</li> <li>6 Months – 30.50</li> <li>1 Year – 12.50</li> </ul> ↗ Beta: 0.78 ↗ Market Cap: Rs. 428.19 Billion	<b>BSE Code</b> : 500182 <b>NSE Code</b> : HEROMOTOCO  <b>CMP</b> : Rs. 2023.55* <b>Target</b> : Rs. 2400.00 <b>Stop Loss</b> : Rs. 1960.00 <b>52W H/L</b> : Rs. 2150/1435
<b>BAJAJ AUTO LIMITED.</b> <b>World's largest 3-wheeler manufacturer and 3rd largest 2-wheeler manufacturer.</b> <b>Stock Return</b> <ul style="list-style-type: none"> <li>3 Months – 10.10</li> <li>6 Months – 13.20</li> <li>1 Year – 3.40</li> </ul> ↗ Beta: 0.90 ↗ Market Cap: Rs. 616.93 Billion	<b>BSE Code</b> : 532977 <b>NSE Code</b> : BAJAJ-AUTO  <b>CMP</b> : Rs. 1942.05* <b>Target</b> : Rs. 2460.00 <b>Stop Loss</b> : Rs. 1920.00 <b>52W H/L</b> : Rs. 2229/1656
<b>LUPIN LIMITED.</b> <b>An innovation led transnational pharmaceutical company producing &amp; developing a wide range of branded and generic formulations.</b> <b>Stock Return</b> <ul style="list-style-type: none"> <li>3 Months – 10.00</li> <li>6 Months – 20.70</li> <li>1 Year – 52.70</li> </ul> ↗ Beta: 0.39 ↗ Market Cap: Rs. 396.10 Billion	<b>BSE Code</b> : 500257 <b>NSE Code</b> : LUPIN  <b>CMP</b> : Rs. 850.00* <b>Target</b> : Rs. 1050.00 <b>Stop Loss</b> : 800.00 <b>52W H/L</b> : Rs. 945.6/557.10
<b>WIPRO LIMITED.</b> <b>A global information technology, consulting and outsourcing company having presence in 57 countries.</b> <b>Stock Return</b> <ul style="list-style-type: none"> <li>3 Months – 7.40</li> <li>6 Months – 37.10</li> <li>1 Year – 28.50</li> </ul> ↗ Beta: 2.00 ↗ Market Cap: Rs. 100.64 Billion	<b>BSE Code</b> : 507685 <b>NSE Code</b> : WIPRO  <b>CMP</b> : Rs. 479.00* <b>Target</b> : Rs. 570.00 <b>Stop Loss</b> : Rs. 450.00 <b>52W H/L</b> : Rs. 519.8/314.9
<b>THE GREAT EASTERN SHIPPING COMPANY LIMITED.</b> <b>India's largest private sector shipping company with experience and expertise spanning over 6 decades.</b> <b>Stock Return</b> <ul style="list-style-type: none"> <li>3 Months – 15.50</li> <li>6 Months – 18.60</li> <li>1 Year – 12.70</li> </ul> ↗ Beta: 0.11 ↗ Market Cap: Rs. 43.20 Billion	<b>BSE Code</b> : 500620 <b>NSE Code</b> : GESHIP  <b>CMP</b> : Rs. 295.55* <b>Target</b> : Rs. 340.00 <b>Stop Loss</b> : Rs. 250.00 <b>52W H/L</b> : Rs. 326/198.2
<b>EICHER MOTORS LIMITED.</b> <b>Flagship Company of Eicher Group manufacturing Royal Enfield motorcycles.</b> <b>Stock Return</b> <ul style="list-style-type: none"> <li>3 Months – 27.30</li> <li>6 Months – 29.30</li> <li>1 Year – 67.40</li> </ul> ↗ Beta: 0.35 ↗ Market Cap: Rs. 113.60 Billion	<b>BSE Code</b> : 505200 <b>NSE Code</b> : EICHERMOT  <b>CMP</b> : Rs. 4200.00* <b>Target</b> : Rs. 5000.00 <b>Stop Loss</b> : Rs. 3900.00 <b>52W H/L</b> : Rs. 2380.15/4294.15
<b>TORRENT PHARMAECUTICALS LIMITED.</b> <b>Flagship company of Torrent group. A dominant player in therapeutic areas CV &amp; CNS.</b> <b>Stock Return</b> <ul style="list-style-type: none"> <li>3 Months – 10.80</li> <li>6 Months – (1.60)</li> <li>1 Year – 7.60</li> </ul> ↗ Beta: 0.18 ↗ Market Cap: Rs. 79.52 Billion	<b>BSE Code</b> : 500420 <b>NSE Code</b> : TORNTPHARM  <b>CMP</b> : Rs. 463.15* <b>Target</b> : Rs. 560.00 <b>Stop Loss</b> : Rs. 410.00 <b>52W H/L</b> : Rs. 908.7/384.9

For detailed analyst reports, please visit: [www.indbankonline.com](http://www.indbankonline.com) ⇨ Reports & Downloads ⇨ Equity Research \*Closing price as on 25.11.2013 on NSE

## Mutual Fund Corner

### Scheme of the Month

#### QUANTUM LONG TERM EQUITY

LEVEL OF RISK: BROWN (HIGH RISK)

Fund Manager: Mr. Atul Kumar & Mr. Nilesh Shetty

#### Investment Objective:

The scheme aims to achieve long-term capital appreciation by investing primarily in shares of companies that are typically included in BSE 200 Index and attractively priced in the market when compared to the Investment Managers valuation of the company.

Current Statistics & Profile	
Latest NAV	26.35 (25.11.2013)
52-Week Range	22.41 – 26.76
52-Week High	26.16 (18.01.2013)
52-Week Low	20.35 (23.05.2012)
Fund Category	Equity – Large & Mid Cap
Type	Open End
Launch Date	March 13 2006
Net Assets (Cr)	Rs. 176 (30.09.2013)
Benchmark	S&P BSE Sensex

#### Trailing Returns

As on 25.11.2013	Fund Return	S & P BSE Tri Sensex Return	Category Return
Year to Date	4.98	7.68	0.53
1-Month	1.93	(0.35)	0.96
3-Month	13.87	11.54	13.29
1-Year	10.02	13.11	6.34
3-Year	4.15	2.41	1.03
5-Year	26.16	19.48	18.89
Return Since Launch 13.39			

**Note:** Return up to 1 year are absolute and over 1 year are annualized.

#### Top Sector Weightings – As on 31/10/2013

Sector	% Net Assets
Energy	17.82
Financial	16.13
Automobile	14.98
Services	9.93
Technology	8.66

Asset Allocation	
As on 31/10/2013	% Net Assets
Equity	91.91
Debt	8.26

Investment Details	
Minimum Investment Amount	Rs.500
Additional Investment	In multiples of Rs.500
SIP	Yes ; Min Rs. 500; Min Months:6
Options	Dividend
Expense Ratio (%)	1.25 (Regular);0.00 (Direct)
Exit Load	4% - redemption within 180 days 3% - redemption between 181-365 days 2% - redemption between 366-540 days 1% - redemption between 541-730 days

Fund Style	Portfolio Characteristic - As on 31.10.2013												
<div>Investment Style</div> <table><tr><td>Growth</td><td>Blend</td><td>Value</td></tr><tr><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td></tr></table> <div>Large Medium Small</div> <div>Capitalisation</div>	Growth	Blend	Value										<div>Avg. Mkt. Cap – 38238.01 Cr</div> <div>Market Capitalization</div> <div>Giant – 43.96%</div> <div>Large – 21.10%</div> <div>Mid – 29.12%</div> <div>Small –5.83%</div> <div>Portfolio P/B Ratio: 3.16</div> <div>Portfolio P/E Ratio: 16.28</div>
Growth	Blend	Value											

#### PORTFOLIO – Top 10 Holdings as on 31/10/2013

Sl. No.	Name of Holding	Instrument	% Net Assets
1.	Bajaj Auto	Equity	6.62
2.	HDFC	Equity	6.55
3.	Maruti Suzuki India	Equity	4.95
4.	Infosys	Equity	4.89
5.	Container Corp.	Equity	4.40
6.	ONGC	Equity	4.08
7.	Tata Consultancy Services	Equity	3.77
8.	State Bank of India	Equity	3.66
9.	Tata Chemicals	Equity	3.64
10.	ACC	Equity	3.44

## DERIVATIVES – PART 2 – OPTION CHAIN

Last issue we discussed the basics of Derivatives. This issue we will discuss the nuances of Option Chain.

### What is an Option Chain?

An Option Chain is the list of all the option contracts (Put(s) & Call (s)) available for the particular underlying which may be a stock or the index.

### How to read the Option Chain?

[Home](#)
[Live Market](#)
[Option Chain](#)
[Equity Derivatives](#)
[Options Contracts](#)

Option Chain (Equity Derivatives)

Underlying Stock: **RELIANCE 850.40**

As on Nov 22, 2013 14:38 IST

View Options Contracts for:

CALLS

Chart

OI

Chng in OI

Volume

IV

LTP

Net Chng

Bid Qty

Bid Price

Ask Price

Strike Price

Bid Qty

Bid Price

Ask Price

Ask Qty

Net Chng

LTP

IV

Volume

Chng in OI

OI

Chart

1,250

1,250

1,250

1,250

1,250

1,250

1,250

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1,250

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PICTURE 1 – OPTION CHAIN

The columns in the Option Chain are detailed below.

1. **Chart** – Gives a graphical description of the movement of the prices on that particular trading session. A sample chart is given below.



PICTURE 2 – OPTION PRICE CHART

2. **OI (Open Interest)** – It is the total number of derivative contracts that have not been settled in the immediately previous time period. To further simplify, for each buyer of a derivative contract there must

be a seller. From the time the buyer or seller opens the contract until the counterparty closes it, the contract is considered "Open".

In stock trading, there are fixed number of shares that are traded, while in option trading, new option contracts are created when a trade is placed. Open interest tells the total number of option contracts that are currently open – contracts that have been traded but not yet liquidated by either an offsetting trade or an exercise.

Knowledge on Open Interest is frequently used to study the price movements of the options. A large open interest indicates more activity and liquidity in the contract. *When options have large open interest, it implies that they have large number of buyers and sellers. It will be easier to trade that option at a reasonable spread between the bid price and the ask price.* The relationship between the prevailing price trend and open interest can be summarized as follows:

Price	Open Interest	Interpretation
Rising	Rising	Market is Strong
Rising	Falling	Market is Weakening
Falling	Rising	Market is Weak
Falling	Falling	Market is Strengthening

3. **Chng (Change) in OI** – Refers to the change in Open Position with respect to the previous trading day's closing.
4. **Volume** – The total number of options traded during the respective trading session.
5. **IV (Implied Volatility)** – It is the estimated volatility of a security's price. In general implied volatility increases when the market is bearish and decreases when the market is bullish, as the belief is that bearish markets are more risky than bullish markets.
6. **LTP** – Last Traded Price.
7. **Net Chng (Net Change)** – It is the difference between the previous day's closing price to the current closing price. Closing price is different from the LTP. LTP as the name suggests is the Last Traded Price where Closing Price is the average of the prices during last 30 minutes of the trading period.
8. **Bid Qty (Quantity) / Bid Price** – The bid quantity is the highest price and the quantity a seller is willing to purchase.
9. **Ask Qty (Quantity) / Ask Price** – It is the vice versa of the Bid Quantity / Price. It is the quantity a buyer is willing to sell.
10. **Strike Price** – Strike price is the price at which the holder of the options can buy (in case of a call option) or sell (in case of a put option) the underlying security when the option is exercised.

In the Option Chain picture, half of the options are shaded in yellow, with a remark at the end stating that "Highlighted Options are in the money". What are "In the money Options"? Are there other types too?

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**HAPPY INVESTING!!!**

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