

# **ANNEXURE**

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### LIST OF TERMINOLOGY

#### **American Depository Receipts (ADR) (U.S.)**

A certificate issued in the United States in lieu of a foreign security. The original securities are lodged in Bank/Custodian abroad, and the American Depository Receipts (ADRs) are traded in the US for all intents and purposes as if they were a domestic stock. An ADR dividend is paid in US dollars, so it provides a way for American investors to buy foreign securities without having to go abroad, and without having to switch in and out of foreign currencies.

#### **Bench Mark**

Security used as the basis for interest rate calculations and for pricing other securities. Also denotes the most heavily traded and liquid security of a particular class

#### **Book building process**

A process undertaken by which a demand for the securities proposed to be issued by a corporate body is elicited and built up and the price for such securities is assessed for the determination of the quantum of such securities to be issued by means of a notice, circular, advertisement, document or information memoranda or offer document

#### **BSE Sensex**

A stock index (one of many) commonly used as an indicator of changes in the general level of the stock prices in India. In this index, there are 30 diversified stocks traded on the Mumbai Stock Exchange which are thought to be representative of the market in general.

#### **BSE Teck**

Teck Index represents the most frequently traded stocks in the Indian Telecom, Media, and Telecommunications (TMT) sectors. In 1990s, TMT sector had a remarkable growth in the financial market. It has become a major force in the Indian economy. Recognizing the growing importance of the TMT sector, BSE Teck index was launched in July 11, 2001.

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## **BSE 100**

BSE-100 was launched in January 03, 1989 and was previously known as the BSE National index. The base year for this index is 1983-84 with base index value fixed at 100 points. BSE-100 was launched on full market capitalization method and shifted to Free-Float methodology effective from April 5, 2004. The index has 100 companies with varying weightages. BSE calculates a dollar-linked value of SENSEX Called Dollex series of BSE indices.

## **CDSC (Contingent deferred sales charge)**

A type of back end load sales charge, a contingent deferred sales charge is a fee charged when shares are redeemed within a specific period following their purchase. These charges are usually assessed on a sliding scale, with the fee reduced each year during which the shares are held.

## **Central Listing Authority**

The authority set up to address the issue of multiple listing of the same security and to bring about uniformity in the due diligence exercise in scrutinising all listing applications on any stock exchanges. The functions include processing the application made by anybody corporate, Mutual Fund or collective investment scheme for the letter of recommendation to get listed at the stock exchange, making recommendations as to listing conditions and any other functions as may be specified by SEBI Board from time to time.

## **CNX Bank**

The CNX bank index is an index comprised of the most liquid and large capitalized Indian banking stocks. It provides investors provide and market intermediaries with a benchmark that captures the capital market performance of the Indian banks. The Index has 12 stocks from the banking sector, which trade on the National Stock Exchange (NSE).

CNX Bank Index is computed using free float market capitalization method, wherein the level of the index reflects the total free float market value of all the stocks in the index relative to particular base market capitalization value.

CNX Bank Index can be used for a variety of purposes such as benchmarking fund portfolios, launching of index funds, ETF's and structured products.

## **CNX IT**

The CNX IT index provides investors and market intermediaries with an appropriate benchmark that captures the performance of the Indian IT companies. The CNX IT Index comprises of 20 companies listed on the National Stock Exchange (NSE).

CNX IT Index can be used for a variety of purposes such as benchmarking fund portfolios, launching of index funds, ETF's and structured products.

## **CNX Mid cap**

The medium capitalised segment of the stock market is being increasingly perceived as an attractive investment segment with high growth potential. The primary objective of the CNX MidCap 200 Index is to capture the movement and be a benchmark of the midcap segment of the market.

## **CNX PSE**

As part of its agenda to reform the public sector enterprises (PSE) the government has been disinvesting its holding in public sector enterprises since 1991. With a view to provide regulators, investors and market intermediaries with an appropriate benchmark that captures the performance of this segment of the market, as well as to make available an appropriate basis for pricing forthcoming issues of PSEs, IISL has developed the CNX PSE Index. The CNX PSE Index comprises of 20 stocks from Media & Entertainment sector that are listed on the National Stock Exchange (NSE).

CNX PSE Index is computed using free float market capitalization method, wherein the level of the index reflects the total free float market value of all the stocks in the index relative to particular base market capitalization value. CNX PSE Index can be used for a variety of purposes such as benchmarking fund portfolios, launching of index funds, ETF's and structured products.

## **Collective investment scheme (CIS)**

Any scheme or arrangement made or offered by any company under which the contributions, or payments made by the investors, are pooled and utilized with a view to receive profits, income, produce or property, and is managed on behalf of the investors is a Collective Investment Scheme. Investors do not have day to day control over the management and operation of such scheme of arrangement.

### **Constituent Subsidiary General Ledger (SGL) account**

A constituent SGL account is an account held by an intermediary at Reserve Bank of India (RBI) on behalf of its constituents who have empowered the said intermediary to carry out various transactions on their behalf. In this account only constituent transactions can take place and under no circumstances the intermediary will use this account for proprietary transactions.

### **Corporate Governance**

The way in which companies run themselves, in particular the way in which they are accountable to those who have a vested interest in their performance, especially their shareholders.

### **Credit rating**

Credit ratings measure a borrower's creditworthiness and provide an international framework for comparing the credit quality of issuers and rated debt securities. Rating agencies allocate three kinds of ratings: issuer credit ratings, long-term debt, and short-term debt. Issuer credit ratings are amongst the most widely watched. They measure the creditworthiness of the borrower including its capacity and willingness to meet financial needs. The top credit rating issued by the main agencies – Standard & Poor's, Moody's and Fitch IBCA - is AAA or Aaa. This is reserved for a few sovereign and corporate issuers. Ratings are divided into two broad groups - investment grade and speculative (junk) grade.

### **Credit rating agency**

Credit rating agency means a body corporate which is engaged in, or proposes to be engaged in, the business of rating of securities offered by way of public or rights issue.

### **Capitalization**

The value of a company as measured by the market price of its common shares, multiplied by the total number of shares that have been issued.

**Debentures**

Bonds issued by a company bearing a fixed rate of interest usually payable half yearly on specific dates and principal amount repayable on a particular date on redemption of the debentures.

**Debenture Trustee**

A trustee of a trust deed for securing any issue of debentures of a body corporate.

**Debt/Equity Ratio**

A comparison of the assets provided by creditors to the assets provided by shareholders. It is calculated by dividing long-term debt by common stockholders' equity, and serves as an indicator of financial leverage.

**Dematerialise**

The process of transforming securities holdings in physical form to those in electronic form through a Depository Participant.

**Demutualization**

Process of transition from “mutually-owned” association to a company “owned by shareholders”. In other words, transformation of the legal structure from a mutual form to a business corporation form and privatisation of the corporations so constituted, is referred to as demutualization.

**Derivative Market**

Markets such as futures and option markets that are developed to satisfy specific needs arising in traditional markets. These markets provide the same basic functions as forward markets, but trading usually takes place on standardized contracts.

## **Disclosure**

Full and material information given by a company that may allow an investor to take an informed investment decision

## **Dematerialisation**

It is a process by which an investor gets physical certificates converted into electronic balances maintained in his account with the Depository Participant (DP). In other words, the shares are 'dematerialized'.

## **Derivatives**

A financial contract between two or more parties based on the future value of an underlying asset. Options and similar other instruments are examples. For instance, the value of a call option on reliance (derivative) fluctuates with the price of reliance stock.

The value is totally 'derived' from the value of the underlying asset such as securities, commodities, bullion, currency, live stock, etc. it is any hybrid contract of a pre-determined fixed duration such as forward, future, option, etc. linked for the purpose of contract fulfillment to the value of a specified real or financial asset or to an index of securities.

## **Dow Jones Industrial Average (DJIA)**

A stock index (one of many) commonly used as an indicator of changes in the general level of the stock market prices in United States . In this index, there are 30 industrial stocks thought to be representative of industrial stocks in general. Dow Jones & Company, a financial and investment publisher based in New York , also calculates averages for utility stocks, transportation stocks and bonds.

Just a few of the 30 companies in the DJIA are: American Express, AT&T, Bethlehem Steel, Boeing, Chevron, Disney, Coca-Cola, General Motors and IBM. You will not be directly concerned at what happens on the Dow.

But remember, the Dow average is global leader and is usually reflected by exchange around the world. The wonders of globalization! You don't have enough problems trying to understand the trend of Mumbai stock prices; you also have to keep in touch with global trends. Is that fat fee you are paying your stock analyst looking more reasonable now?

## **EDIFAR**

EDIFAR is Electronic Data Information Filing and Retrieval system. Securities and Exchange Board of India (SEBI) in association with National Informatics Centre (NIC) has set up the EDIFAR to facilitate filing of certain documents/statements by the listed companies online on the Web site ([www.sebi.gov.in](http://www.sebi.gov.in)). This would involve electronic filing of information in a standard format by the companies.

## **Electronic fund transfer (EFT)**

System which utilizes computer and electronic components in order to transfer money or financial assets. EFT is information based and intangible.

## **Employee Stock Option**

“Employee stock option” means the option given to the whole-time directors, officers or employees of a company which gives such directors, officers or employees, the benefit or right to purchase or subscribe at a future date, the securities offered by the company at a predetermined price.

## **Employee Stock Purchase Scheme (ESPS)**

“Employee stock purchase scheme (ESPS)” means a scheme under which the company offers shares to employees as part of a public issue or otherwise.

## **Equity**

The ownership interest in a company of holders of its common and preferred stock.

## **Equities**

Another name for shares. Common and preferred stocks, which represent a share in the ownership of a company.



**Foreign institutional investor**

An institution established or incorporated outside India which proposes to make investment in India in securities; provided that a domestic asset management company or domestic portfolio manager who manages funds raised or collected or brought from outside India for investment in India on behalf of a sub-account, shall be deemed to be a Foreign Institutional Investor.

**Fund of funds**

Fund of funds scheme means a mutual fund scheme that invests primarily in other schemes of the same mutual fund or other mutual funds. Fungible securities Securities which are easily interchangeable with another in the same class.

**Global Depository Receipts**

Any instrument in the form of a depository receipt or certificate (by whatever name it is called) created by the Overseas Depository Bank outside India and issued to non-resident investors against the issue of ordinary shares or Foreign Currency Convertible Bonds of issuing company.

**Green shoe option**

Green Shoe option means an option of allocating shares in excess of the shares included in the public issue and operating a post-listing price stabilizing mechanism in accordance with the specific provisions in DIP Guidelines, which is granted to a company to be exercised through a stabilizing Agent

**Gross**

When used in connection with dividend or interest implies amount without any deduction of tax etc.

**Green Shoe**

An agreement allowing the lead underwriter to buy additional shares of an IPO at the offering price after the IPO begins trading.

**Gross Domestic Product (GDP):** GDP is the total value of goods and services produced by a nation. See a release details.

### **Index/Indices**

An index is managed and publishes either by a stock exchange or a professional financial and investment body. It is representative of the market sentiment. Normally the index components are the highly traded stocks of that exchange. Usually they represent about 80 to 85 percent of the market capitalization and trading. Sectorized indices like Industrial, banking, Utilities, etc is made up of the highly traded stocks in that particular sector. The BSE Sensex is based on 30 stocks as is New York 's Dow average. These 30 stocks, in number, are a miniscule percent of the total listed shares, but in terms of value of trade and market capitalization, they represent anything up to 85 per cent.

### **Inflation**

Increase in the prices for goods and services. For the common man, this means he pays more for what he uses. For the stock market player, it could be both good and bad news. If cement prices are going up, is it because there is a shortage in output, a surge in construction activities or higher government taxes? There could be a number of reasons, each of them having a different impact on the fundamentals of the cement industry. If you are holding cement shares, should you hold on to them, buy more or sell? Try and figure it out. If you can't leave it your analyst.

### **IPO (Initial Public Offering)**

Equity or other issue which is presented to the market for the first time.

### **Issue**

Any securities of a company, or the act of distributing such securities.

### **Indian Depository Receipt**

A receipt, evidencing an underlying foreign security, issued in India by a foreign company which has entered into an agreement with the issuer and depository, custodian and depository or underwriters and depository, in accordance with the terms of prospectus or letter of offer, as may be prescribed.

**Insider**

Any person who, is or was connected with the company or is deemed to have been connected with the company, and who is reasonably expected to have access, connection, to unpublished price sensitive information in respect of securities of a company, or who has received or has had access to such unpublished price sensitive information

**Insider trading**

Practice of corporate agents buying or selling their corporation's securities without disclosing to the public significant information which is known to them but which has not yet affected the price.

**Institutional Investors**

Organizations those invest, including insurance companies, depository institutions, pension funds, investment companies, and endowment funds.

**ISIN**

ISIN (International Securities Identification Number) A unique identification number allotted for each security in the depository system by SEBI.

**Issuer**

An entity which is in the process of issuing its securities. Also known as the "Originator".

**Income Deposit Security (IDS)**

An exchange-traded, fixed income-like instrument consisting of a subordinated debt security and a share of common stock packaged together to form a tax-efficient delivery mechanism to distribute an issuer's free cash flow to its investors. Investors are paid dividends from the common share component and interest from the subordinated debt. The structure was created for U.S.-based companies to replicate the economic attributes of the Canadian income trust structure - providing steady, high-yield returns to U.S. and Canadian investors in U.S. companies. IDSs do not use the trust structure. Also known as income participating securities (IPS).

## **Investment Fund**

A closed-end fund that offers investors the ability to buy a security that represents a portfolio of investments with a specific investment strategy. These products use funds raised through a public offering to invest in a portfolio of securities, which are actively managed to create income streams for investors, typically through a combination of dividends, capital gains, interest payments, and in some cases, income from derivative investment strategies. These funds are not directly related to an operating business. Some examples are: funds of income funds, senior loan funds, mortgage-backed security funds, and commodity funds.

## **Liquidity Adjustment Facility (LAF)**

Under the scheme, repo auctions (for absorption of liquidity) and reverse repo auctions (for injection of liquidity) will be conducted on a daily basis (except Saturdays). It will be same-day transactions, with interest rates decided on a cut-off basis and derived from auctions on a uniform price basis.

## **Listed Company**

A company which has any of its securities offered through an offer document listed on a recognized stock exchange and also includes Public Sector Undertakings whose securities are listed on a recognised stock exchange.<sup>45</sup>

## **Listing**

Formal admission of a security into a public trading system

## **Listing Agreement**

An agreement which has to be entered into by companies when they seek listing for their shares on a Stock Exchange. Companies are called upon to keep the stock exchange fully informed of all corporate developments having a bearing on the market price of shares like dividend, rights, **bonus shares, etc.**

### **Manipulation of financial markets**

Activities whose objective is to alter prices in financial markets through the use of techniques that result in unnatural market prices, often through the use of wash sales or reporting of fictional or apparent market prices.

### **Market capitalization**

The market value of a company, calculated by multiplying the number of shares issued and outstanding by their current market price.

### **Market Maker**

A member firm who give two way quotation for particular security (ies) and who is under an obligation to buy and sell them subject to certain conditions such as overall exposure, spread etc.

### **Merchant Banker**

Any person who is engaged in the business of issue management either by making arrangement regarding selling, buying or subscribing to securities or acting as manager, consultant, adviser or rendering corporate advisory service in relation to such issue management.

### **Mutual Funds /Unit Trusts**

Mutual Fund is a mechanism for pooling the resources by issuing units to the investors and investing funds in securities in accordance with objectives as disclosed in offer document. A fund established in the form of a trust to raise monies through the sale of units to the public or a section of the public under one or more schemes for investing in securities, including money market instruments.

### **NASDAQ (U.S.)**

Acronym for the National Association of Security Dealers Automated Quotations. This is an organization that does exactly what its name stands for. The system provides a computerized information network through which brokers, banks and other investment professionals can obtain upto the minute price quotations on securities traded over the counter.

### **Negotiated Dealing System (NDS)**

Electronic platform for facilitating dealing in Government Securities and Money Market Instruments, introduced by RBI.

### **Over-The-Counter (OTC) Market**

The market maintained by securities dealers for issues not listed on a stock exchange. Almost all bonds and debentures, as well as some stocks, are traded over-the-counter in Canada. An OTC market is also known as an unlisted market.

### **Portfolio**

A collection of securities owned by an individual or an institution (such as a mutual fund) that may include stocks, bonds and money market securities.

### **Portfolio investment**

Investment which goes into the financial sector in the form of treasury bonds and notes, stocks, money market placements, and bank deposits. Portfolio investment involves neither control of operations nor ownership of physical assets.

### **Portfolio manager**

Any person who pursuant to a contract or agreement with a client ,advises or directs or undertakes on behalf of the client (whether as discretionary portfolio manager or otherwise) the management or administration of a portfolio of securities or the funds of the client as the case may be.

### **Portfolio Turnover**

A measure of the trading activity in a funds investment portfolio – how often securities are bought and sold by a fund.

**Price Band**

The range within which the price of a security or the index of a currency is permitted to move within a given period.

**Price rigging**

When persons acting in concert with each other collude to artificially increase or decrease the prices of a security, the process is called price rigging.

**Public Issue**

An invitation by a company to public to subscribe to the securities offered through a prospectus.

**Price/Earnings Ratio (P/E):** A widely used valuation measure of the relationship between a stock's price and its earnings per share, it is also referred to as Multiple to Earnings or simply, The Multiple. Its formula is: current stock price per share divided by the most current earnings per share. It is an important tool for investors as it indicates how much they are paying for a company's earning power. Stocks with low P/E multiples (those below 20, although relative multiples do vary from industry to industry) tend to be slow growth, steady and perhaps mature companies. Those with higher P/E multiples are usually growth stocks and tend to be more risky. Trailing P/E multiples use last year's earnings and the current price.

**Price to Book Value:** Also called Multiple to Book Value, it is a measure of the relative risk/reward profile of a stock. It is calculated by dividing the latest stock price per share by the most recent per share value of stockholders equity (book value). A company with a stock price of \$12 per share and a book value of \$6 per share is trading at two times book value. Generally, the higher the multiple to book value, the riskier the stock is, however, it is important to know that multiples vary from industry to industry and should be considered as such.

**Red Herring**

A preliminary prospectus filed with the Securities and Exchange Commission in the United States in order to test the market's reaction to a proposed new issue of securities. In Indian

scenario, Red Herring is a draft prospectus which is used in book built issues. It contains all disclosures except the price and is used for testing the market reaction to the proposed issue.

### **Reverse book building**

Reverse book building is similar to the process of book building, which is aimed at securing the optimum price for a company's share. In reverse book building the investors' aim is to sell the shares to exit the company.

### **Rolling settlement**

The practice on many stock markets of settling a transaction a fixed number of days after the trade is agreed.

### **Rights Issue**

Issue of new shares to the existing shareholders at a price which is normally lower than the current market price of the old shares. It is issued in a fixed ratio to those shares which are already held.

### **Real Estate Investment Trust (REIT)**

Typically, a closed-end investment fund that trades on an exchange and uses the pooled capital of many investors to purchase and manage income properties. Equity REITs primarily own commercial real estate, such as shopping centres, apartments, and industrial buildings. By taking advantage of the trust structure, REITs offer tax advantages (beyond traditional common equity investments) to investors and provide a liquid way to invest in real estate, which otherwise is an illiquid market.

### **Redemption**

The retiring of a debt instrument by repaying the principal balance to the investors.

### **Screen based trading**

Form of trading that uses modern telecommunication and computer technology to combine information transmission with trading in financial markets.



### **Securities Lending Scheme**

A scheme formed in 1997 for lending of securities through an approved intermediary to a borrower under an agreement for a specified period with the condition that the borrower will return equivalent securities of the same type or class at the end of the specified period along with the corporate benefits accruing on the securities borrowed.

### **Selling Short**

A manner in which an investor sells securities he does not possess in the hope of buying them back later at a lower price.

### **Stakeholder**

Any individual or group who has an interest in a firm; in addition to shareholders and bondholders, includes labor, consumers, suppliers, the local community and so on.<sup>68</sup>

### **Stock lending**

The lending of a security by the registered owner, to an authorized third party, for a fixed or open period of time, for an agreed consideration secured by collateral. The demand to borrow securities comes mainly from market makers to cover short positions or take arbitrage opportunities.

### **Straight through processing (STP)**

The processing of a trade, whose data is compliant with internal and external requirements, through systems from post-execution through settlement without manual intervention. Simply put it means seamless integration of trades from initiation to settlement without manual intervention.

### **S&P 500 (Standard & Poor's 500 Stock Index)**

An index of 500 stocks widely traded on the New York Exchange. This index is used as a measure of performance of the overall market. Considered by many to be a much more accurate picture of the market in general.

### **S & P CNX Nifty**

A stock index endorsed by Standard & Poor's and composed of 50 of the largest and most liquid stocks found on the National Stock Exchange (NSE) of India. It is commonly used to represent the market for benchmarking Indian investments. Similar to other major stock indexes like the S&P 500, companies must meet certain requirements in terms of market capitalization and liquidity before they can be considered for inclusion in the index.

### **Shareholder**

A person who buys stock in a corporation, and therefore becomes a part owner of the corporation. This does not mean you should walk into a Reliance office and ask for a glass of water. You will get the water as a matter of courtesy, but it will be accompanied by some odd looks.

### **Takeover**

The acquisition of control over a corporation by another company, either through hostile or friendly means.

### **Venture Capital Fund**

A fund established in the form of a trust or a company including a body corporate and registered under the SEBI venture capital fund regulations which - has a dedicated pool of capital, raised in a manner specified in the regulations and invests in venture capital undertaking in accordance with the regulations.

### **Value Traded**

This is the total monetary value of all trading in a security for the market day. It is calculated by multiplying the volume traded by the average sale price.