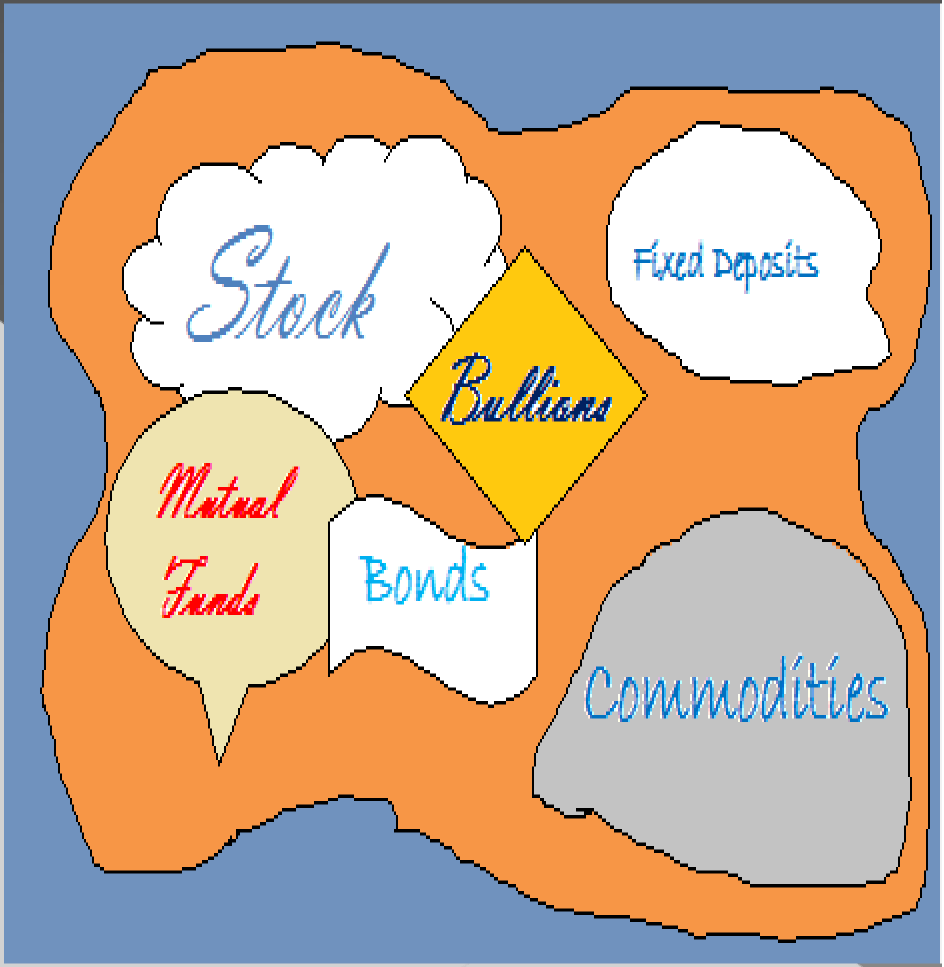
Avenues and Multiple Investment.

Introduction.

- Investment avenues are outlet of funds.
- There are a variety of Investment avenues or alternatives.
- Investors select one or more alternatives avenues as per their needs.
- All the categories of investors are equally interested in safety, liquidity and reasonable return on the funds invested by them.

Avenues.

- Equity shares and Derivatives.
- Government Bonds.
- Public Deposits.
- Debentures.
- Money Market Instruments.
- Bank Deposits.
- Post office Saving schemes.
- Mutual Fund Schemes.
- Life Insurance Schemes.
- Public Provident Fund.
- Gold- Silver
- Real Estate

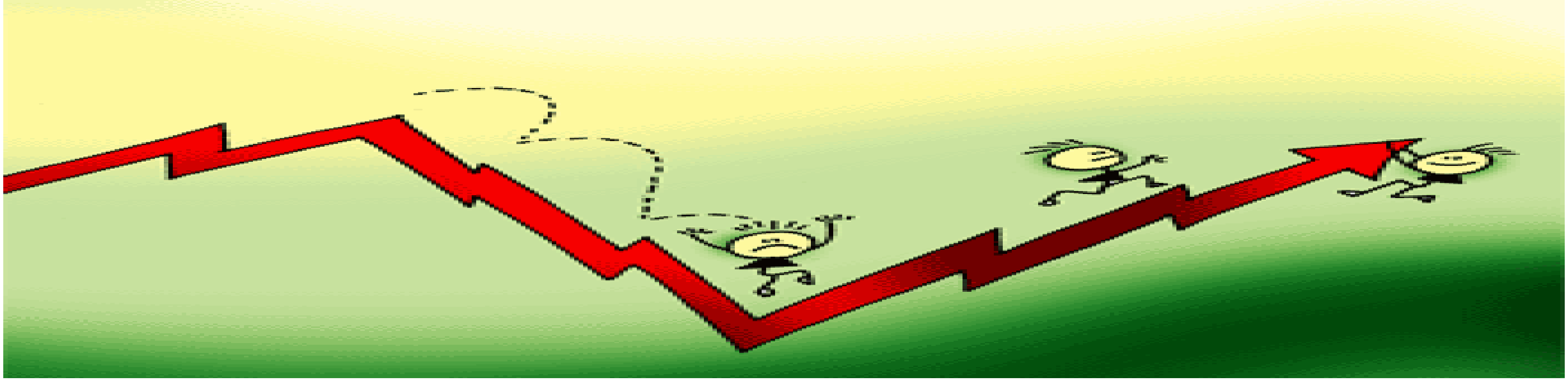


Equity Shares.

- An equity share, commonly referred to as ordinary share also represents the form of fractional or part ownership in which a shareholder, as a fractional owner, undertakes the maximum entrepreneurial risk associated with a business venture. The holders of such shares are members of the company and have voting rights.

Advantages

- Dividends
- Limited liability
- Easy transferable
- Tax benefits
- Participation in Profit of the Company.



Limitations.

- Uncertainty of income
- Risky investment
- Speculative activities.
- Future linked with company

Types of Stock

- Group A
- Group B1,B2
- Group C
- Group T
- Group Z

- The trading cycle for the above scrip's is from Monday to Friday and starting sat(carry forward for A scrip's) the settlement by payment of money and delivery of securities in the following week.
- Stock of a large, well-established and financially sound company that has operated for many years. A blue-chip stock typically has a market capitalization in the billions, is generally the market leader or among the top three companies in its sector, and is more often than not a household name. While dividend payments are not absolutely necessary for a stock to be considered a blue-chip, most blue-chips have a record of paying stable or rising dividends for years, if not decades. The term is believed to have been derived from poker, where blue chips are the most expensive chips.

Chart 1

(c) Chartink.com
TECHM (Daily) 2106
Vol: 0.7194M
Moving Avg (21) C -> 2055.55
Moving Avg (10) C -> 2102.51
RSI (14) -> 64.15
2200
2106
2000
1900
1800
1700
1600
1500
1400
1300
1200
1100
1000
900
800
700
600
500
400
15M
10M
5M
0M
100
64.15
30
0
Jul 10
Oct
Jan 11
Apr
Jul
Oct
Jan 12
Apr
Jul
Oct
Jan 13
Apr
Jul
Oct
Jan 14
Apr
Jul

Chart 2

(c) Chartink.com
EXIDEIND (Daily) 150.3
Vol: 3.216M
Moving Avg (21) C -> 146.57
Moving Avg (10) C -> 151.03
RSI (14) -> 66.26
190
185
180
175
170
165
160
155
150.4
146.6
140
135
130
125
120
115
110
105
100
95
15M
10M
5M
0M
100
66.26
50
30
0
Jul 10
Oct
Jan 11
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Jul
Oct
Jan 12
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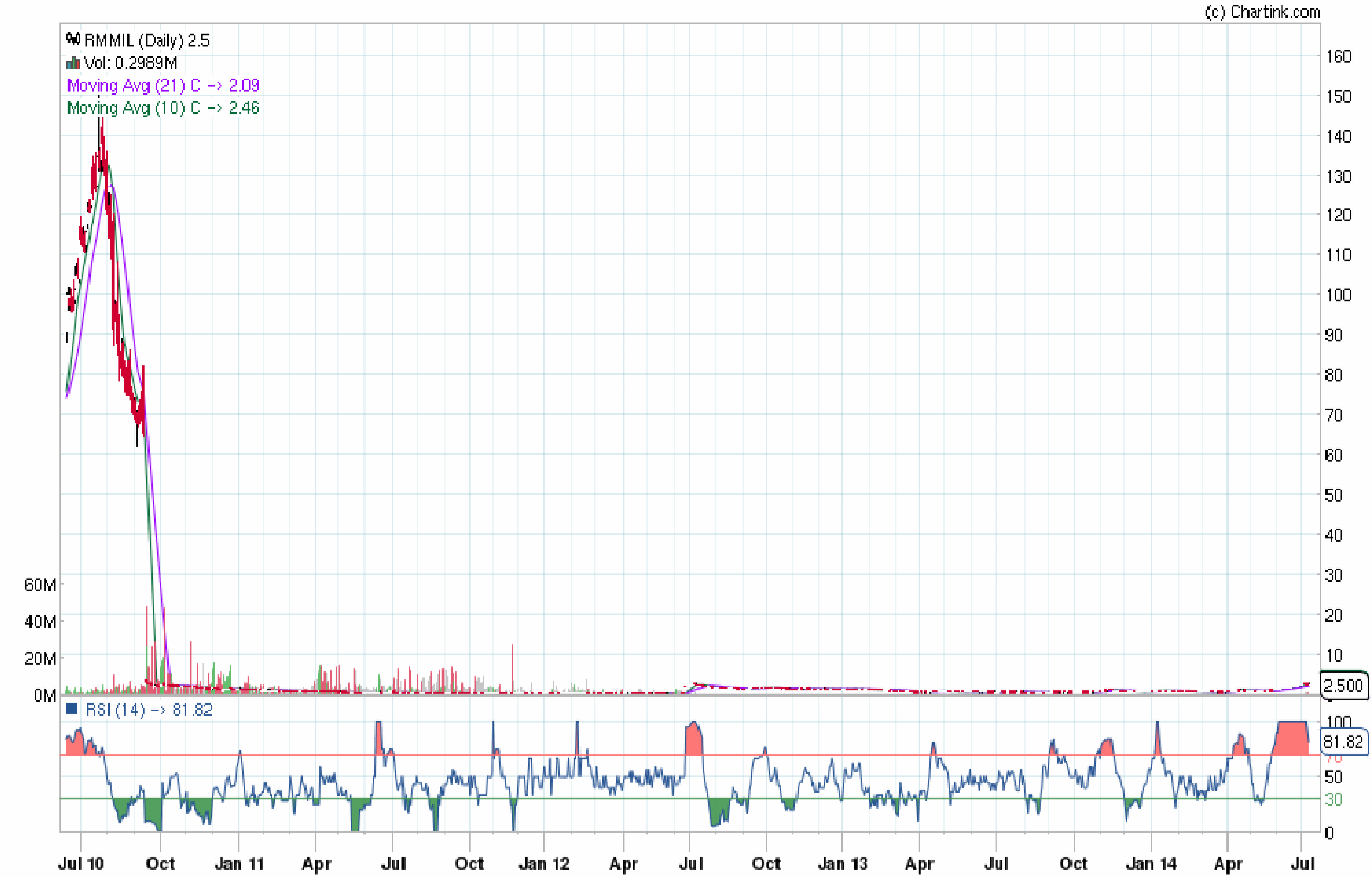
Jul
Oct
Jan 13
Apr
Jul
Oct
Jan 14
Apr
Jul

Chart 3



(c) Chartink.com
RMMIL (Daily) 2.5
Vol: 0.2989M
Moving Avg (21) C -> 2.09
Moving Avg (10) C -> 2.46
RSI (14) -> 81.82
160
150
140
130
120
110
100
90
80
70
60
50
40
30
20
10
2.500
60M
40M
20M
0M
100
81.82
50
30
0
Jul 10
Oct
Jan 11
Apr
Jul
Oct
Jan 12
Apr
Jul
Oct
Jan 13
Apr
Jul
Oct
Jan 14
Apr
Jul

Derivatives.

- Definition of 'Derivative'

- A security whose price is dependent upon or derived from one or more underlying assets. The derivative itself is merely a contract between two or more parties. Its value is determined by fluctuations in the underlying asset. The most common underlying assets include stocks, bonds, commodities, currencies, interest rates and market indexes. Most derivatives are characterized by high leverage.

Functions of Derivatives

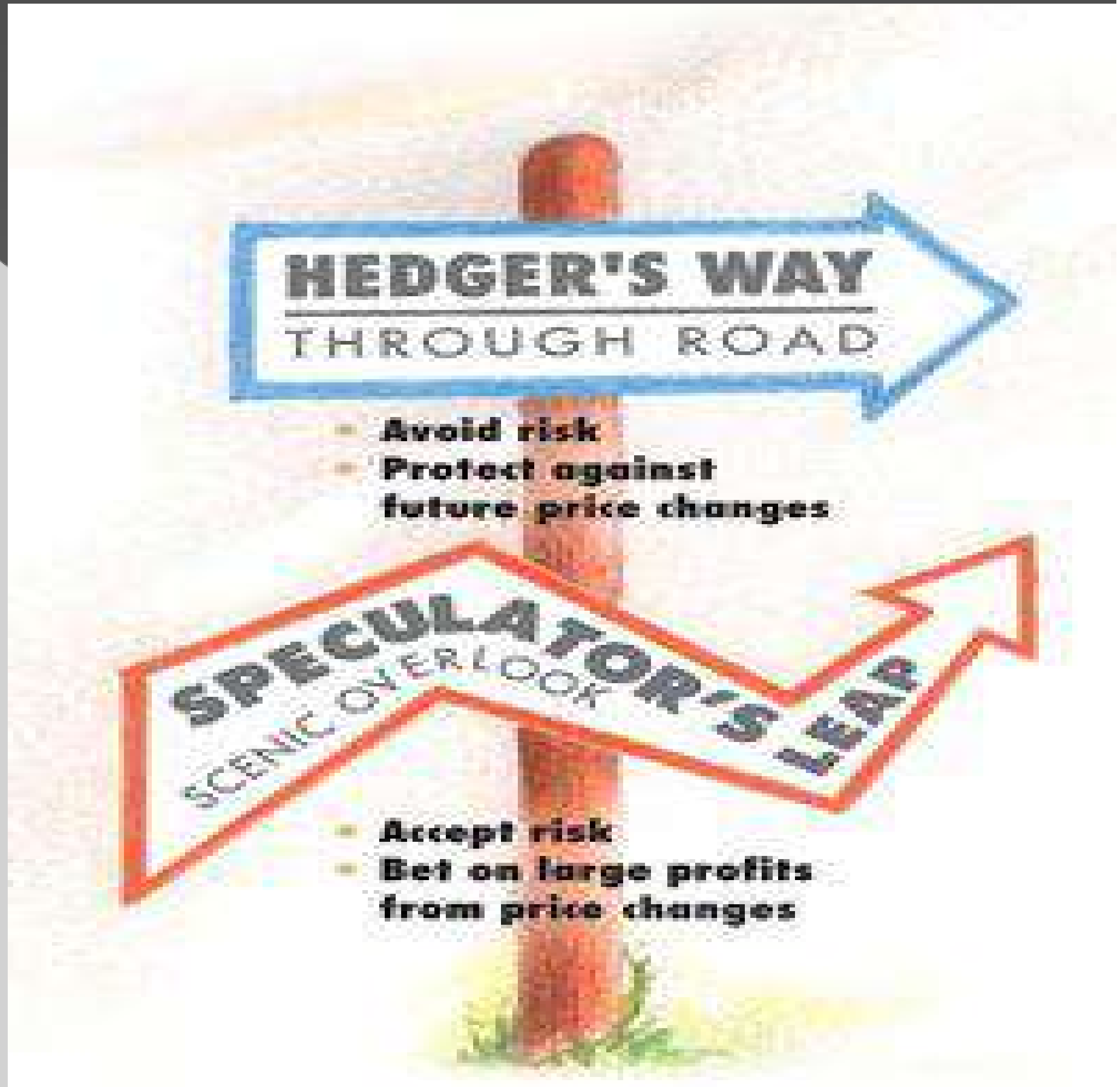
- Price Discovery

- Transfer of risk

- Increased volume in the cash market

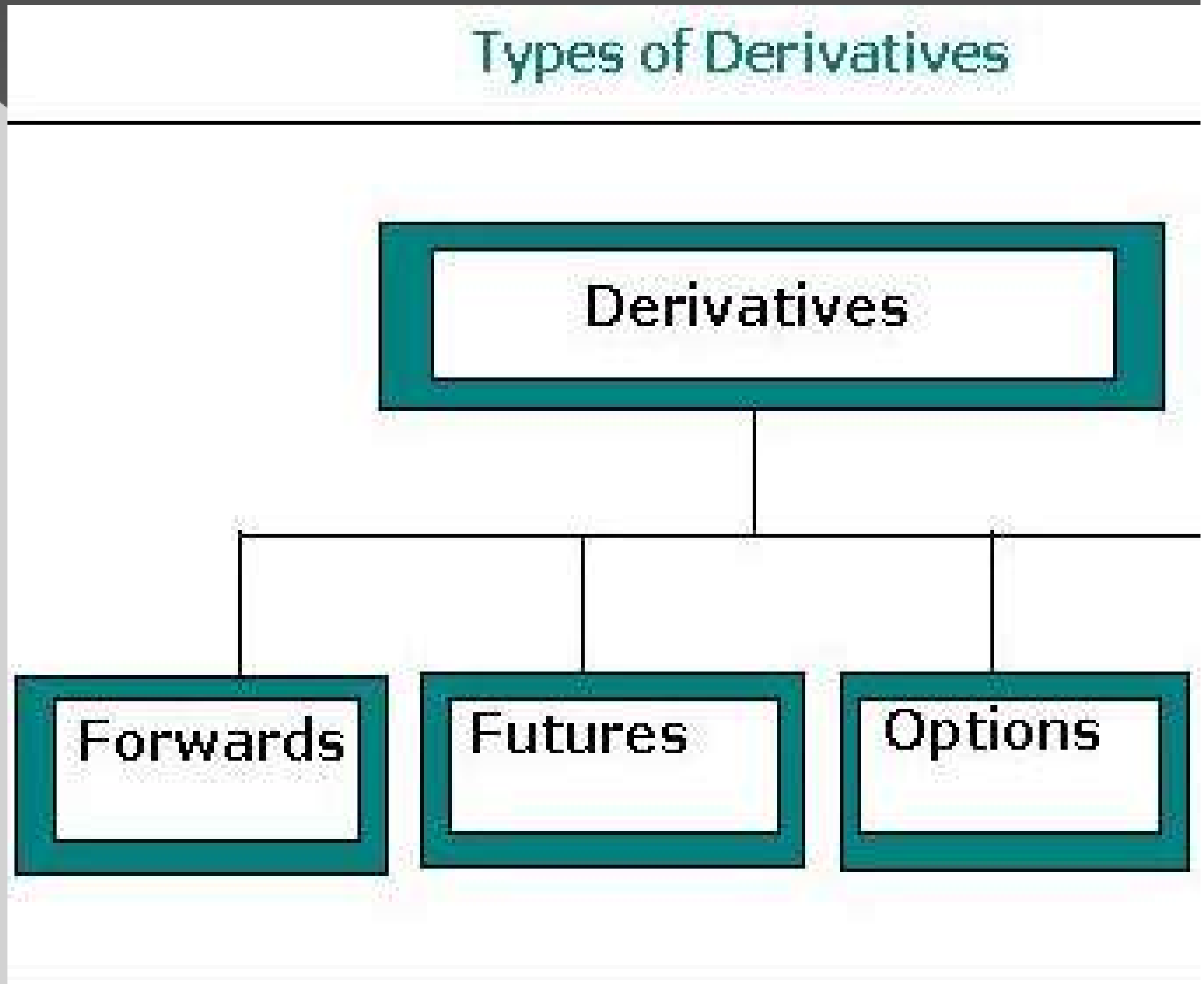
Participants in derivatives market.

- Hedger
- Speculator
- Arbitrageurs



Types of Derivatives.

- Forward
- Future
- Option



Forward.

- **Forward: Forward Contract can be defined as an agreement in which two parties agree to undertake an exchange of the underlying asset/base at a future date or within a given future period at a pre-determined price. The buyer assumes a long position and undertakes to take delivery whereas the seller takes a short position and agrees to give delivery of the asset on contracted terms. Such contracts are privately negotiated on ‘Over – the – Counter’ (OTC).**

  <u>Forward price =</u> <u>spot price + carry cost - carry return</u>

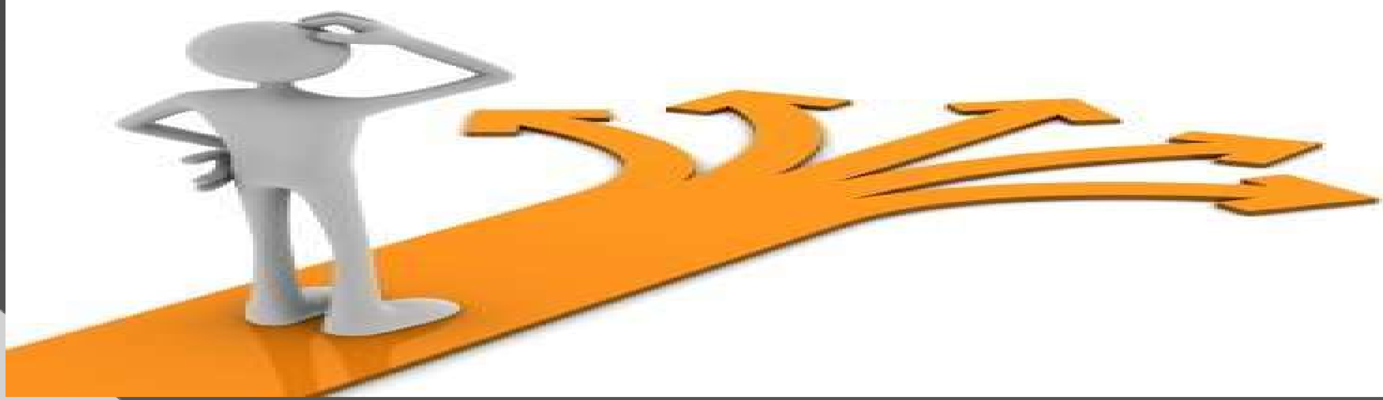
Future

- Futures Contract can be defined as an agreement between two parties to undertake a transaction through the exchange to buy or sell an asset at an agreed price on a specified future date. These contracts are standardized in terms of amount, maturity and the quality of the underlying are conducted with the clearing house of the exchange as counterparty in a regulated environment.

Types of Futures Contracts:

- Futures contracts are of two major categories:
- Financial Futures
- Commodity Futures

Options.



- Options Contract can be defined as an agreement between a buyer and seller in which the buyer of the Option acquires a right but not an obligation to buy or sell an agreed amount of asset/ base over a pre specified time period at a pre-determined price. The pre specified price is called the 'strike price or exercise price', the buyer acquires this right paying premium to the seller of the right.

- *Call option:* A call option gives the holder the right but not the obligation to buy an asset by a certain date for a certain price.

How it works

- When to Use: Investor is very bullish on the stock/index.
- Risk: Limited to the Premium. (Maximum loss if market expires at or below the option strike price).
- Reward : Unlimited
- Breakeven :Strike Price+ Premium
- Example

- Mr. XYZ is bullish on Nifty on 24 June, when the Nifty is a 7500.He buys a call option with a strike price of Rs.7550 at a premium of Rs.100.,expiring on 31July.If the Nifty goes above 7550,Mr XYZ will make a net profit(after deducting the premium) one exercising the option. Incase the Nifty stays at or falls below7500 he can forget the option (it will expire worthless)with a maximum loss of the premium. The Payoff Schedule

Strategy: Buy Call Option		
C	Current Nifty Index.	7500
Call Option	Strike Price(Rs.)	7550
Mr.XYZ Pays	Premium(Rs.)	100
	Break Even Point (Rs.)(Strike Price)	7650

On Expiry Nifty Closes at	Net Payoff from Call Option(Rs.)
7400.00	-2500
7450.00	-2500
7500.00	-2500
7550.00	- 2500
7600.0	-2500
7650.00	00
7700.00	2500
7750.00	5000
7800	7500
7850	10000

PUT OPTION

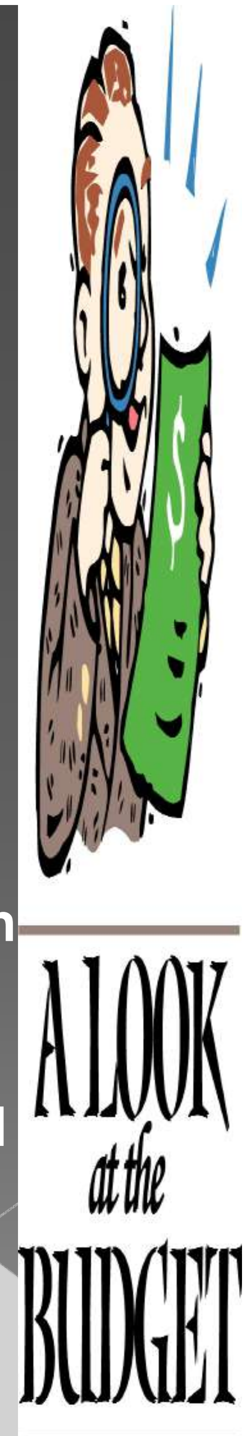
- *Put option*: A put option gives the holder the right but not the obligation to sell an asset by a certain date for a certain price.
- When to use: Investor is bearish about the stock / index.
- Risk: Limited to the amount of Premium paid. (Maximum loss if stock / index expires at or above the option strike price).
- Reward: Unlimited
- Break-even Point: Stock Price – Premium
- Example: Mr .XYZ is bearish on Nifty on24th June, when the Nifty is at 2694. He buys a Put option with a strike price Rs.2600 at a premium of Rs.52, expiring on31st July. If the Nifty goes below 2548, Mr XYZ will make a profit on exercising the option. In case the Nifty rises above 2600, he can forego the option (it will expire worthless) with a maximum loss of the premium.

Strategy: Buy put Option		
	Current Nifty Index	7700
Put Option	Strike Price(Rs.)	7650
Mr.XYZ Pays	Premium(Rs.)	100
	Break Even Point (Rs.)(Strike Price)	7550

On Expiry Nifty Closes at	Net Payoff from Call Option(Rs.)
7350.00	10000
7400.00	7500
7450.00	5000
7500.00	2500
7550.00	00
7600.00	-2500
7650.00	-2500
7700.00	-2500
7750.00	-2500
7800	-2500

BUDGET DAY STRATEGY

- LONG STRADDLE
- When to Use: The investor thinks that the underlying stock/index will experience significant volatility in the near term.
- Risk: Limited to the initial premium paid.
- Reward: Unlimited
- Breakeven:
- Upper Breakeven Point=Strike Price of Long Call + Net Premium Paid
- Lower Breakeven Point=Strike Price of Long Put – Net Premium Paid
- Suppose Nifty is at 7600on10th july I . An investor, Mr A enters along straddle by buying a july Rs.7600 Nifty Put for Rs.50 and a july Rs. 7600 Nifty Call for Rs.50 The net debit taken to enter the trade is Rs.100 which is also his maximum possible loss.



Strategy: Buy Put + Buy Call		
Nifty index	Current Value	7600
Call and Put	Strike Price(Rs.)	7600
Mr. A pays	Total Premium (Call+Put)(Rs.)	100
	Break Even Point (Rs.)	7650(U)
	(Rs.)	7550(L)

niftyon budget Day	NET pay off from put	net payoff from call	net pay off
7300	12500	-2500	10000
7350	10000	-2500	7500
7400	7500	-2500	5000
7450	5000	-2500	2500
7500	2500	-2500	0
7550	0	-2500	-2500
7600	-2500	-2500	-5000
7650	-2500	0	-2500
7700	-2500	2500	0
7750	-2500	5000	2500
7800	-2500	7500	5000
7850	-2500	10000	7500

Government Bonds.

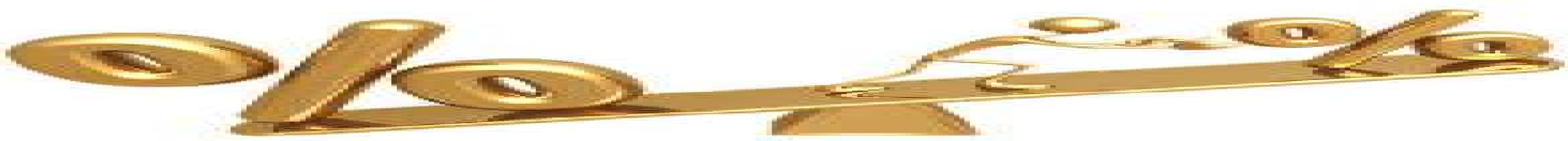
- A debt security issued by a government to support government spending, most often issued in the country's domestic currency. Government debt is money owed by any level of government and is backed by the full faith of the government.
- Investment is exempted from wealth tax.
- Maturity period 5- 25 years.
- 10 year Government Bond at 8.8% yield.(2014). Named 2023

Public Deposits.

- In order to meet , temporary financial needs, companies accept deposits from the investors. Such deposits are called public Deposits.
- Most companies collect crores of Rupees through such deposits.
- Interest Rates set to be attractive at first but later reduced to 9-12%.
- Mannapuram Finance (2013) @ 13% p.a.

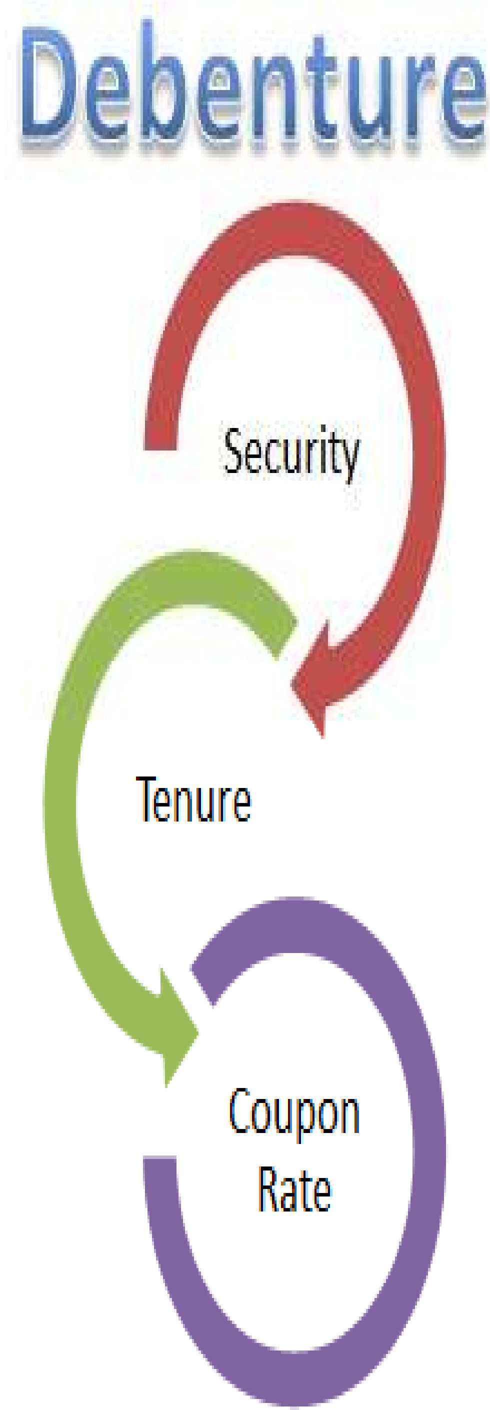
Advantages of Public Deposits.

- Easy availability provided the company enjoys public confidence.
- Cheaper than obtaining loans from banks.
- Depositors receive interest on their deposits higher than that offered on bank deposits.
- Depositors are exempted from Tax deducted at Source.(TDS)



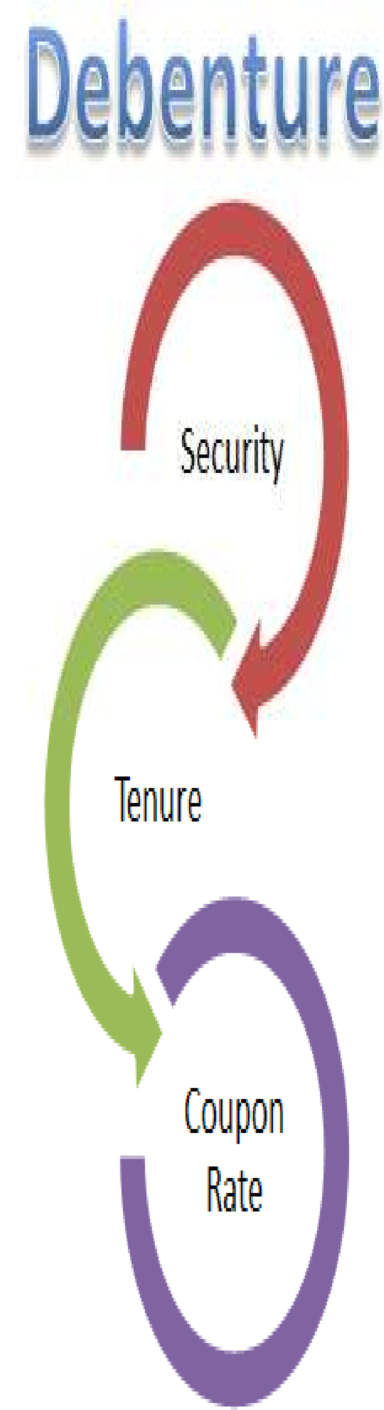
Debentures.

- A Debenture is a unit amount of loan. When a company intend to raise the loan amount from public it issues Debentures.
- The person holding the Debenture is known as the Debenture holder.
- A debenture is a document issued under the seal of the company which acknowledges the loan amount borrowed by the company.
- It bears the date of redemption and mode of payment of interest.
- A debenture holder is the creditor of the company.
- In India all debentures must be secured.



Types of Debentures.

- Secured Debentures.
- Unsecured Debentures.
- Convertible Debentures.
- Non- Converted Debentures.
- Registered Debentures.
- Bearer Debentures.
- Convertible Debentures.
- Non- Convertible Debentures.



Money Market Instruments.

- Treasury Bills.
- Gilt-Edged Securities
- Commercial Paper (CP)
- Certificate of Deposit

Treasury Bills.

- Treasury bills is a short term money market instrument used by the Central Government for short term borrowings from the market for meeting urgent financial needs.
- The maturity of a T.Bill is a period of six months.
- It is issued at a discount and is repayable at par.
- It carries low rate of return due short period and hence it fails to attract individual investors.
- Institutional investors use this instrument for a short term investment of surplus funds.

Gilt Edged Securities.

- Government Issued Securities and securities issued by financial institution are called Gilt-edged securities.
- Securities issued by port trusts , public sector enterprises, electricity boards are also known as gilt-edged securities.
- Such securities are issued in form of credit notes and bonds.
- Institutional agencies such as banks, insurance companies, employees provident funds are the buyers of such securities.

Commercial Paper (CP)

- Commercial paper (CP) is a money market security. It is a short term unsecured promissory note issued by a firm for the loan taken.
- Such commercial papers are issued by reputed companies for meeting their urgent short term needs.

Features of Commercial Papers (CP)

- The usual period for issue of commercial paper is 180 days.
- It is sold at a discount and redeemable at face value.
- The denomination of commercial paper is normally high and is bought by institutional investors and companies for a short term investment of surplus funds.
- Commercial paper is not popular among the Individual investors as they lack the capacity to purchase it at high denomination and its returns were not attractive enough.

Certificate of Deposit.

- A certificate of deposit is a time deposit with a commercial bank but can be negotiated.
- It carries a attractive interest rate.
- The denomination of the deposit is also substantial.
- Institutional Investors and companies take interest in this avenue of investment.

Bank Deposits.

- Investment of surplus money in bank deposits is quite popular among investors.
- Banks collect working capital for their business through deposits called bank deposits.
- The deposits are given by the customers for specific period and the bank pays interest.

BANK DEPOSITS

1. **CURRENT ACCOUNT**
2. **SAVINGS BANK ACCOUNT**
3. **FIXED DEPOSIT ACCOUNT**
4. **RECURRING DEPOSIT ACCOUNT**

Post office deposit schemes.

- Post office operates as a financial institutions.
- It collects small savings of the people through savings bank account facility.
- In addition, time deposits and government loans are also collected through post offices.
- Certain government securities such as Kisan Vikas Patra and National Saving Certificate ,etc.

Postal **deposits**

	Interest (%)	Minimum Invt. (₹)	Maximum Investment (₹)	Features	Tax Benefits
Monthly Income Scheme	8.40	1500	Single 4.5 Lakh	5-year tenure; monthly returns;	NIL
			Joint 9 lakh	5-year tenure; monthly returns;	NIL
Recurring Deposits	8.30	10	No limit	5-year tenure	NIL
Savings Account	4.00	50	No limit	₹10,000 interest tax free	NIL
5 Yr NSC - VIII Issue	8.50	100	No limit	No TDS	80C
10 Yr NSC - IX Issue	8.80	100	No Limit	TDS applicable	80C
Time Deposit	8.20 - 8.40	200	No limit	Available in 1; 2; 3; 5 years	80C
Senior Citizen Saving Scheme	9.20 payable quarterly	1000	15 lakh	5-year tenure; minimum age 60	80C
Public Provident Fund	8.70	500	1 lakh pa	15-year term; tax-free returns	80C
Employee's Provident Fund	8.50*	-	-	Till retirement	80C

Mutual Funds.

- The main function of Mutual funds is to mobilize savings of the general public and invest them into stock market securities.
- More than 63 mutual funds are operating in India
- HDFC mutual fund, Birla sun life mutual fund , Alliance capital mutual fund and so on are some of the popular mutual funds operating in India.
- Each mutual fund has different schemes for investment by interested investors . Each mutual fund has its features and suitability to specific category of investors.

Advantages of Mutual Funds.

- Diversified and Profitable Investment.
- Liquidity
- Low Cost
- Effective Regulation

Growing popularity of Mutual Funds.

- The popularity of Mutual funds is growing fast in India.
- The number of such funds is increasing and are getting popular support from the investing class.
- Investors prefer to give their saving to mutual funds for safety and securing the benefits of diversified investment.
- Mutual funds act as a boon to investors in general and small investors in particular.

Life Insurance Schemes.

- Life insurance business was nationalized in India since long (1956).
- Life insurance business in India is run Life Insurance Corporation of India.
- LIC is responsible for the expansion of the life insurance business in India.
- It gives protection and acts as a method of compulsory savings.
- Life insurance business is no more than the no more the monopoly of LIC. Private sector is now allowed to participate in the insurance business.

भारतीय जीवन बीमा निगम
LIFE INSURANCE CORPORATION OF INDIA

Advantages of investment in Life Insurance schemes.

- Protection to family members.
- Provision of old age.
- Method of compulsory saving.
- Loan facility.
- Bonus to policyholders.
- Gives tax benefits.
- Gives metal peace to investors
- Comfortable and financially Independent Life after retirement.

Real Estate.

- Investment in the real estate is popular due to high saleable value after some years.
- Such properties includes building, commercial premises , industrial land, plantations, farmhouses, agricultural land near cities and so on.
- Such properties attract the attention of affluent investors and builders.

Reasons for attractiveness of Real Estate.

- Ownership.
- Capital appreciation.
- Loans are available.
- Interest
- Wealth tax benefits.

Advantages of Investment in Real Estate.

- Necessity of Life.
- Acts as an asset.
- Substantial.
- Capital appreciation.
- Security for raising loan.

Disadvantage of Investment in Real Estate.

- Huge Investment.
- Profitability.
- Risk in the investment is more.
- Tax burden in the form of Stamp Duty.
- Repairs, maintaince, etc,constitute additional expenditure and botheration to the owner.
- Rules and Regulations.

Gold an Silver.

- In India there is attraction for gold and silver since the historical period.
- Our faith in GOD and Gold dates back to the Vedic times.
- In India Gold is an obsession, deep rooted in Mythology and religious rites and is very psyche.
- Gold and Silver are the two precious metal used for making ornaments and for the purpose of investment of surplus funds over a long period of time.

Advantages of Investment in Gold and Silver.

- Storage of wealth and Secret Assets.
- Highly Liquid.
- Market price for both metals is continuously rising.
- Hedge against Inflation.
- Investment in gold and silver provides a sense of security to the investor.
- Prestige value.
- Quite safe and secured investment.

Limitations of Investments in Gold and Silver.

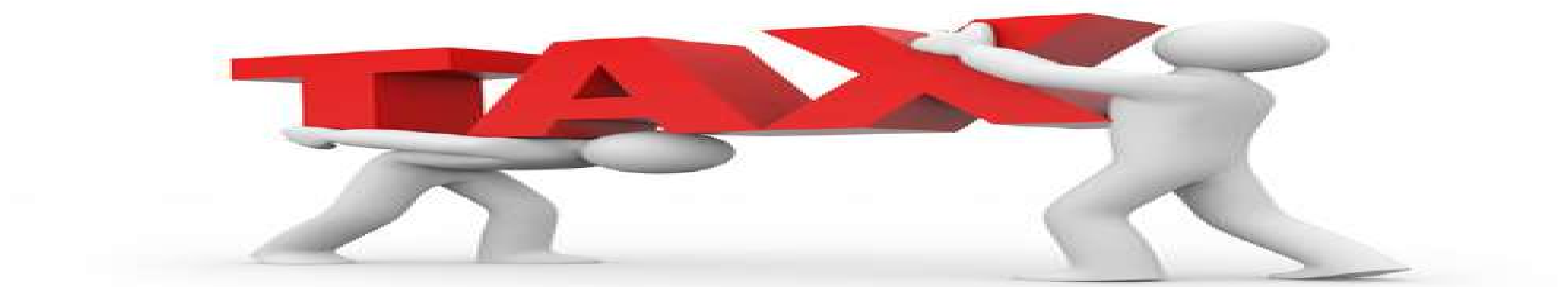
- Risky
- Dead type of investment
- Absence of Regular Income.
- In this sense, investment in gold and silver is a dead investment.
- Not useful for capital formation and economic growth.

Public Provident Funds.

1. Duration	15 years
2. Rate of Interest	8.0 % per annum.
3. Availability	Any head post office/Selection grade sub post office and approved nationalised banks.
4. Eligibility	(i) An individual (Above 18 years) (ii) A guardian on behalf of a minor.
5. Limits of Investments	Minimum - Rs. 500/- Maximum - Rs. 70,000/- in a financial year.
6. Withdrawals	Loan: - From 3rd year to 6th year up to 25% of the amount available in the preceding second year. (i) One withdrawal during any one year at any time after 6 year. (ii) The amount of withdrawal is limited to 50% of the balance at credit at the end of 4th year immediately preceding the year in which the amount is withdrawn or at the end of the preceding year whichever is lower.
7. Nomination facility	Available
8. Tax benefits	(i) Rebate on investment U/S 80C of I.T. Act 1961 (ii) Interest income fully exempted from income tax. (iii) Balance held in the P.P.F. account is completely free from wealth Tax.
9. Other benefits	The balances in the account cannot be attached by any authority normally.
10. Extension of account	Account may be extended for any block period of five years

Tax Saving Schemes.

- There are certain schemes introduced for the purpose o tax saving.
- These schemes provide income tax benefits to investors who invest in these schemes under section 80C of the Income Tax Act, 1961.
- The Financial Act, 2012 provides tax exemption upto Rs 1,20,000.



TAX SAVING SCHEMES

1. LIFE INSURANCE PREMIUM.
2. PUBLIC PROVIDENT FUND.
3. POST OFFICE SAVINGS DEPOSITS.
4. NATIONAL SAVINGS CERTIFICATE.
5. UNIT LINKED INSURANCE PLAN.
6. DEPOSIT IN NATIONAL HOUSING BANK.
7. REPAYMENT OF HOUSING LOAN.
8. FIXED DEPOSIT.
9. MUTUAL FUND.
10. LIC'S PENSION PLAN.

THE BIG TICKET DEDUCTION

Basket of section 80C, 80CCC and 80CCD that qualifies for a deduction of ₹1.5 lakh (₹1 lakh was applicable in FY 2013-14)

- Public Provident Fund
- Employees' Provident Fund
- Five-year fixed deposit
- National Savings Certificate
- Equity-linked savings scheme
- Tuition Fees
- Five-year time deposit of the post office
- Senior Citizen Savings Scheme
- Principal repayment of home loan
- National Pension System
- Life insurance premium

Under section 80CCG: Investment upto a maximum of ₹25,000 or 50% of amount invested in listed equity shares or listed units of an equity oriented mutual fund notified by the Central Government ("securities") for three consecutive assessment years beginning from the assessment year relevant to the previous year in which securities are first acquired. This deduction is in addition to deduction mentioned above and would be available subject to other conditions prescribed under section 80CCG.

Other deductions

Section 80D: Premium on health insurance policies up to ₹15,000 and ₹20,000 for senior citizens. Deduction of ₹5,000 (including amounts paid in cash) for amount paid on preventive health check -up of self or parents.

Section 80DD: Up to ₹50,000 a year for spending on the medical treatment or specified insurance scheme of a dependent (spouse, parents, kids or siblings), who has at least 40% disability. If the disability is severe or more than 80% then you can claim up to ₹1 lakh as deduction.

Section 80DDB: An individual can claim a deduction of up to ₹40,000 and ₹60,000 in case of a senior citizen (age 60 years) for the treatment of specified critical ailments. Individual can also claim this deduction on behalf of their dependents.

Section 80U: It gives a deduction for the physically and mentally challenged. It allows for a deduction of ₹50,000 where an assessee has at least 40% of a disability. For severe disability (80% or more of one or multiple disabilities), the limit is ₹1 lakh

Section 80E: Tax deduction on the interest payment of an education loan for higher studies in India or abroad for a full time course from a financial institution or an approved charitable institution. The maximum period for this deduction is eight years (starting when you begin repaying the loan), or till the entire loan is repaid, whichever is earlier.

Section 80EE: You get a maximum deduction of ₹1 lakh of interest payable on loan taken from any financial institution in financial year 2013-14 for acquisition of a residential house property. This is over and above interest deductible under section 24(b) and subject to other conditions in section 80EE.

Section 80G: Depending on who you give to, half or the entire donation can become a deduction from your income.

Section 80GG: Rent paid for furnished/unfurnished accommodation subject to maximum of ₹24,000 per annum or 25% of total income (whichever is less). The person should not have any house rent allowance and should not own any residential complex in India or abroad.

Section 80GGC: Any amount contributed to a political party or an electoral trust is deductible

Section 24 (B): ₹2 lakh (₹1.5 lakh earlier) can be claimed by you on the interest due on your home loan. If the house is rented out then the entire interest becomes deductible.

Particulars	PPF	NSC	ELSS	Bank Deposits	ULIP
Tenure (years)	15	5/10	3	5	5
Min. Invest. (Rs)	500	100	500	10,000	Depending on the premium
Max. investment under 80 C (Rs)	100,000	100,000	100,000	1,00,000	1,00,000
Safety/Rating	Highest	Highest	High Risk	Low Risk	Moderate to High
Return % (CAGR)	8.60^	8.40/8.70^	Market Linked	9.25*	Market Linked
Interest frequency	Compounded annually	Compounded half yearly	No assured dividends/ returns	Compounded Quarterly	NA
Taxation of interest	Tax free	Taxable	Dividend & capital gains tax free	Taxable	NA

PARTICULARS	POST OFFICE SAVINGS DEPOSITS	DEPOSIT IN NATIONAL HOUSING BANK
TENURE	10 or 15 yrs	5yrs
Min. INVEST(Rs)	Rs. 20	Rs.10000
Max. INVEST(Rs)	____	Rs.100000
RETURNS %	4.0%	9.25%


THANK
YOU!