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B.Com Honours | Semester V | Calicut University

SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT

Course Code: COM5EJ302 • Module 1 Notes

Module I: Introduction to Equity Investment & Securities Markets

Covers investment fundamentals, distinction between investment, speculation, and gambling, primary/secondary market operations, trading settlement mechanisms, depositories, and SEBI regulations.

Unit 1: Investment Concepts & Objectives

Commitment of funds with expectation of generating positive return over time. Key Objectives: Capital Appreciation, Income Generation, Safety of Capital, and Liquidity.

Unit 2: Types of Investors – Investment, Speculation, & Gambling

1. Investor: Long-term horizon, thorough fundamental analysis, moderate risk.
2. Speculator: Short-term horizon, technical analysis, high risk for quick capital gains.
3. Gambler: Artificial risk taking based on luck, zero fundamental basis.

Unit 3: Primary & Secondary Securities Markets

Primary Market: Issuer to Investor (IPO, FPO, Rights Issue, Private Placement, Book Building price discovery).
Secondary Market: Investor to Investor stock exchanges (BSE Sensex, NSE Nifty 50).

Unit 4: Stock Exchange Trading & Settlement Process

Order types: Market Order, Limit Order, Stop-Loss Order. Trading via screen-based Automated Trading System (NEAT/BOLT). Settlement Mechanism: T+1 Rolling Settlement via Clearing Corporation (NSCCL).

Unit 5: Depositories & Depository Participants (NSDL & CDSL)

Electronic custody of shares. Depositories (NSDL, CDSL) interact via Depository Participants (DPs - brokers/banks). Dematerialization (Demat) converts physical certificates to electronic holdings.

Unit 6: Securities Market Regulation – SEBI Role & Functions

Statutory regulator under SEBI Act, 1992. Functions: Protective (insider trading prohibition, investor protection), Regulatory (broker registration, takeover code), and Developmental (trader training).

Practical Case Framework (Investment vs. Speculation vs. Gambling Comparison Matrix): Differentiate financial commitments across key analytical parameters.

Comparative Analysis of Investment, Speculation, & Gambling:

Comparative Dimension	Genuine Investment	Financial Speculation	Gambling / Betting
Time Horizon	Long-term (1 to 5+ years)	Short-term (Intraday to weeks)	Very short (Instantaneous)
Basis of Decision	Fundamental & Financial Analysis	Technical Charts & Rumors	Hunch, Luck, & Chance
Risk-Return Profile	Moderate Risk / Steady Expected Yield	High Risk / High Return Target	Excessive Risk / High Loss Probability
Leverage / Borrowed Funds	Uses own funds primarily	Employs Margin Trading / Futures	Entirely speculative risk