

SEBI was established under Section 3 of SEBI Act, 1992 under an act of Parliament. The Preamble of the SEBI Act describes the basic functions of SEBI thus:

*".....to protect the interests of investors in securities and to promote the development of, and to regulate the securities market and for matters connected therewith or incidental thereto". Regulation 16 = Conflict*

The Perpetuity growth method, PGM (also known as the Gordon Growth Model) is used to calculate the terminal value, assuming that cash flows will grow at a constant, sustainable rate indefinitely after a high-growth period.

The Perpetuity growth method is a fundamental concept in discounted cash flow (DCF) valuation. It allows analysts to estimate the value of a business's cash flows beyond the explicit forecast period, assuming a stable, long-term growth rate.

🔍 **Surcharge:** An additional charge on tax, collected by the Central Government and credited to the Consolidated Fund of India; the government can use it for any purpose (general revenue).

🔍 **Cess:** A tax on tax, levied for a specific purpose (e.g., education, health); funds collected must be used exclusively for that purpose and cannot be diverted (e.g., education cess only for education-related expenditures).

| Position             | Rights/Obligations   |
|----------------------|--|
| Call Buyer           | Right to buy the underlying asset at the strike price (no obligation).               |
| Put Buyer            | Right to sell the underlying asset at the strike price (no obligation).              |
| Call Writer (Seller) | Obligation to sell the underlying asset at the strike price if exercised (no right). |
| Put Writer (Seller)  | Obligation to buy the underlying asset at the strike price if exercised (no right).  |

Under SEBI (Prohibition of Insider Trading) Regulations, 2015 (Reg 9), the following bodies/institutions must frame a strict internal code of conduct ICC for handling Unpublished Price Sensitive Information (UPSI) to prevent insider trading (PIT):

- Listed Companies: All companies with listed securities on stock exchanges (Reg 9(1)).
- Market Intermediaries: Entities like stock brokers, merchant bankers, depository participants, and investment advisers dealing with UPSI (Reg 9(2)).
- Fiduciaries: Professionals or entities (e.g., auditors, bankers) with access to UPSI on behalf of clients (expanded via 2024 amendments).

A company's board of directors can include independent directors, non-executive directors and executive directors.

For the sake of strong corporate governance standards, majority of the board should comprise of independent directors. Currently, SEBI regulation stipulates that independent directors should constitute at least 50% of the board if the chairman is an executive director, in all other cases, it requires 1/3rd of the board to be comprised of independent directors.

Enterprise Value (EV) measures the total value of a company's core business operations to all capital providers (equity holders + debt holders), often used in valuations like EV/EBITDA multiples or DCF for comparisons across firms with different capital structures. It's essentially the "takeover price" – what you'd pay to acquire the business, assuming you assume its debt but keep its cash.

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| Earning Yield = Earnings Per Share (EPS) / Current price of stock   |
| Conceptually, DCF approach is the most appropriate approach for valuations when three things are known with certainty: stream of future cash flows, timings of these cash flows, and Expected rate of return by the investors called discount rate.   |
| When interest rates are low, borrowing becomes more affordable for businesses and individuals, leading to better loan repayment rates and lower chances of default. This results in fewer Non-Performing Assets (NPAs) for banks and financial institutions.  |
| Some industries like power, healthcare, education etc do not have threat of substitutes at all.   |
| The IOSCO (International Organization of Securities Commissions) Technical Committee issued its Statement of Principles for Addressing Sell-Side Securities Analyst Conflicts of Interest in September 2003. This report outlines eight high-level principles to mitigate conflicts of interest for sell-side analysts (e.g., those employed by broker-dealers or investment banks), ensuring research remains objective, transparent, and investor-focused. These principles form a global benchmark and directly influenced regulations like India's SEBI (Research Analysts) Regulations, 2014.  |
| <p>Chapter III, SEBI (UTP) Regulations, 2003: Covers investigations into unfair trades. Reg 8(1) duties of investigated persons: (a) Produce required books/accounts/documents and provide statements/info; (b) Appear personally and answer Investigating Authority's questions.</p> <p>SEBI restraining powers under UTP Regs: (a) Suspend trading of fraudulent securities; (b) Restrain market access/buy-sell by associates; (c) Suspend exchange/SRO office-bearers; (d) Impound violating proceeds/securities; (e) Direct intermediaries not to alienate fraudulent assets; (f) Prohibit disposal of contravening securities.</p> <p>SEBI may even take the following action against an intermediary:</p> <ol style="list-style-type: none"> <li>Issue a warning or censure;</li> <li>Suspend the registration of the intermediary;</li> <li>Cancel the registration of the intermediary.</li> </ol> |
| <p>13.1.1 SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Markets) Regulation, 2003</p> <p>These regulations have been made in exercise of the powers conferred by section 30 of the SEBI Act, 1992.</p>  |
| <p>The SEBI Act of 1992 was enacted “to provide for the establishment of a Board to protect the interests of investors in securities and to promote the development of, and to regulate, the securities market and for matters connected therewith or incidental thereto”.</p> <p>To enforce disclosure of information or to furnish information to agencies as may be deemed necessary. SEBI Act, 1992, empowers SEBI to impose penalties and initiate adjudication proceedings against intermediaries and market participants on various grounds.</p> <p>Foreign Contribution (Regulation) Act, 2010 (FCRA)</p>   |
| The Securities Contracts (Regulation) Act, 1956 (SCRA) is a foundational piece of legislation in India's securities market framework, enacted to regulate stock exchanges, contracts in securities, and related dealings. It aims to prevent undesirable transactions (e.g., speculation, manipulation), ensure fair and transparent trading, provide legal recognition to stock exchanges, and protect investor interests by mandating that most securities transactions occur through recognized exchanges.   |
| 13.1 Important regulations in Indian Securities Market:   |

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| <ol style="list-style-type: none"> <li>1. Corporatization and demutualization of stock exchanges</li> <li>2. The power of the Central Government to call for periodical returns from stock exchanges</li> <li>3. The power of SEBI to make or amend bye-laws of recognized stock exchanges</li> <li>4. The power of the Central Government (exercisable by SEBI also) to supersede the governing body of a recognized stock exchange</li> <li>5. The power to suspend business of recognized stock exchanges</li> <li>6. The power to prohibit undesirable speculation</li> </ol>   |
| <p>13.1.7 Insolvency and Bankruptcy Board of India (IBBI): IBBI, established under the Insolvency and Bankruptcy Code 2016, is the regulator for overseeing insolvency process as well as the insolvency professionals.</p>   |
| <p>IRDAI regulates the insurance sector in India in accordance with the terms of the IRDA Act, 1999. IRDAI is the licensing authority for insurance companies and defines the capital and net-worth requirements for insurance companies.</p>   |
| <p>SEBI merged with the Forward Markets Commission on September 28, 2015</p>  |
| <p><b>RBI: “...to regulate the issue of Bank Notes and keeping of reserves with a view to securing monetary stability in India and generally to operate the currency and credit system of the country to its advantage”.</b></p> <ol style="list-style-type: none"> <li>1. As the monetary authority: to formulate, implement and monitor the monetary policy in a manner as to maintain price stability while ensuring an adequate flow of credit to productive sectors of the economy.</li> <li>2. As the regulator and supervisor of the financial system: To prescribe broad parameters of banking operations within which Indian banking and financial system functions.</li> <li>3. As the manager of Foreign Exchange: To administer the Foreign Exchange Management Act 1999</li> <li>4. As the issuer of currency:</li> <li>5. Developmental role: range of functions to support national objectives.</li> <li>6. Banking functions: RBI acts as a banker to the Government and manages issuances of Central and State Government Securities. It also acts as banker to the banks by maintaining the banking accounts of all scheduled banks.</li> </ol> |
| <p>The Ministry of Corporate Affairs (MCA) primarily administers the Companies Act and related laws to regulate the corporate sector. Company securities issuance falls under the Companies Act, with the Registrar of Companies (ROC) responsible for registration and compliance enforcement.</p> <p>The MCA also oversees the Competition Act 2002 (replacing the 1969 MRTP Act), supervises professional bodies like ICAI, ICSI, and ICWAI, and administers the Partnership Act 1932, Companies (Donations to National Funds) Act 1951, and Societies Registration Act 1980.</p>  |
| <p><b>Ministry of Finance</b></p> <p>The Ministry of Finance is a key Government of India ministry managing taxation, financial legislation, institutions, capital markets, state finances, and the Union Budget. It includes five departments:</p> <p>The Department of Economic Affairs (DEA) is the nodal agency for formulating and monitoring macroeconomic policies, including monetary and fiscal aspects, capital markets (e.g., stock exchanges), external resource mobilization, and currency design/production. It also prepares the annual Union Budget.</p> <p>The Department of Expenditure handles government expenditure management, financial</p>  |

rules, Central employee service conditions, state financial assistance, and state borrowings. The Department of Revenue oversees direct and indirect taxes via the Central Board of Direct Taxes (CBDT) and Central Board of Excise and Customs (CBEC). The Department of Financial Services deals with banks, insurance, financial services from government/private entities, pension reforms, industrial finance, and MSMEs. The Department of Investment and Public Asset Management (DIPAM) formulates policies for disinvestment and privatization of public sector undertakings, plus utilization of disinvestment proceeds.

Writing a good research report - Planning, Drafting and Editing: Should contain- Company business, peer group analysis, shareholding pattern, key strengths, key concerns, industry overview, company fundamentals, key financial indicators and financials.

**Fact-based sections in research report:**

Peer group analysis, shareholding pattern, company fundamentals, key financial indicators and financials.

Source of information: Annual reports, quarterly reports, calculations.

**View-based section in research report:**

Company Business, Key Strengths, Key concerns, Industry Overview.

Source of information: Communication with management, Personal Understanding of the business and industry.

It is also suggested to make use of data visualization software's and prepare visual charts to present the data. Visual data is easier to understand than written numbers.

Once a draft is ready it should be rechecked for financial figures, spell-checks and grammatical errors and edited accordingly.

Ground rules which one can follow to make a good report.

- Clarity of Idea
- Simplicity of delivery
- Presenting the argument clearly
- Narrative structure
- Create customized reports according to the reader type

Business risk is also known as operating risk

Herd Mentality bias can prevent investors from benefiting from market corrections

Liquidity of a stock can be measured:

Stock turnover ratio & Traded value turnover ratio