ANNEXURE 2 (GLOSSARY)

ANNEXURE – 2
GLOSSARY OF TERMS USED IN
STOCK EXCHANGES:

ABOVE PAR:
When the share price is above its face value, it is known as above par.

ACCUMULATED DIVIDEND:
Dividend as a result of preference shareholders, not paid, but carried forward on the balance sheet as a liability till it is paid. Omitted or passed dividends do not accrue to equity shareholders.

ACCUMULATING SHARES:
Ordinary shares issued to holders of ordinary equity shares in a company instead of dividend.

ACCUMULATION:
The planned buying of a company’s shares in small quantities so as not to push their price up, but to gradually build up a large holding in the company.

ACCUMULATION AREA:
A term used in technical analysis when the price of a share moves within a narrow range of ups and downs over a period. In the graph, it can be seen as a sideways movement. It is interpreted as accumulation or buying activity and is used to predict a price break through in.

ACCUMULATION UNIT:
A unit in an investment trust in which developments are
ploughed back into the trust after deducting income tax, enabling the value of the unit to increase. It is generally linked to a life insurance policy.

**ACTIVITY STOCKS:**

These are shares which are actively traded in the stock exchange.

**'A' GROUP SECURITIES (specified shares, cleared securities, alpha shares):**

Most widely traded shares, usually of large well-established companies, where forward trading is allowed.

**AIR POCKET:**

An air pocket appears when there is a steep fall in the price of a share, creating a large gap between the day's opening price and closing price.

**ALL OR NONE (AON):**

An instruction given to the broker to execute the order in entirety with no partial execution.

**ALLOTMENT LETTER:**

A communication sent by a company stating the number and value of the securities allotted to the investor in response to his application.

**ALPHA FACTOR:**

It measures the inherent volatility of shares.

**AMORTIZATION:**

Amortization is usually accompanied by putting aside money in a sinking fund so that the considerably increased cost of replacement or modernization can be met as and when
it is needed.

APPLICATION MONEY:

The amount an investor is asked to pay with the application for new issues.

APPRECIATION:

Increase, usually, in the price of share or the value of capital assets which is called capital appreciation.

ARBITRAGE:

Making use of the difference in the price of the same commodity traded in different markets to make profit by buying in the lower market and selling in the higher market.

ASCENDING TOPS:

Ascending tops are formed when price movement of a particular share traces a number of peaks, each higher than the preceding one, indicating a bullish trend.

ASKED PRICE:

The price at which a share is offered for sale on the floor of the stock exchange.

ASSENTED STOCK:

A security, usually an ordinary share, the owner of which has agreed to the terms of a take over bid. During the takeover negotiations, different prices may be quoted for assented and non-assented stock.

AT BEST:

An instruction to a broker to buy or sell shares, stocks, as specific, at the best possible price.
AT CALL:
Denoting secured money that has been lent on a short-term basis and must be repaid immediately on demand.

AT LIMIT:
An instrument to a broker to buy or sell shares, stocks etc. as specified at a stated limiting price.

AT PAR:
A price equal to the face value of a share or other security.

AT PREMIUM:
A price higher than the face value.

AUTHORIZED SHARE CAPITAL:
The total amount of capital that a company is authorised to raise according to its articles of association.

AVERAGING:
Buying shares at different times, in different quantities, and at different prices so that an advantageous average price is obtained.

BACKWARDATION:
It is also known as "Ulta Badla" or "Undha Badla". The payment to be made by a seller to buy for the loan of securities for which the seller wishes to defer deliveries. When bear sells in anticipation of a lull in prices in the immediate future, but the fall does not take place within the accounting period, he has to have his sales carried over to the next accounting period on payment of 'undha badla' or backwardation charge to the buyer.
BAD DELIVERY:
A delivery of a share certificate together with a dead of transfer considered defective.

BADLA:
Permitted only in specified securities, badla involves carrying forward of a transaction from one settlement period to the next.

BALLOT:
A random selection of applications for an oversubscribed new issue of shares.

BASE-WEIGHTED INDEX:
Any index in which the values are compared with those of a base year or base point.

BEAR:
A dealer on a stock exchange, currency market, or commodity market, who expects prices to fall.

BEAR HAMMERING:
Persistent selling pressure by bears, bringing the price down.

BETA:
A measure of a security's performance in relation to the general movement of the market.

BETA SHARES:
Shares of listed companies which are not frequently traded because of low equity base.

BLANK TRANSFER:
A share transfer form in which the name of the trans-
BLUE CHIPS:

Shares of well-established, financially sound companies with good future prospects.

BEAR MARKET TERMS:

Full, decline, quiet, come down, plunge, plummet, nosedive, turn negative, nervous unloading, subdued, weary, weaken, rule easy, turn bearish, ease, downtrend, correction, seek lower levels, liquidate a position, dull, sluggish, fired, heavy market, slip, slump, lose ground, reversal.

BONUS ISSUE:

A company may choose to capitalize its reserves by issuing bonus shares to the existing shareholders in proportion to their holdings.

BOOK CLOSURE:

Before a company declares a dividend or issues bonus or right shares, it closes its register of members for a certain period.

BOOK-ENTRY SHARES:

These are shares for which no certificate is issued, and which are merely recorded on holder's account.

BOOK VALUE:

The book value of share is given by dividing the equity reserves of the company by the number of shares issued.
BOURSE:
A French stock exchange.

BULL:
A person who holds an optimistic view of the market and expects the prices to rise.

BULL MARKET TERMS:
Shoot up, show an uptrend, rise, soar, gain, rally, move up, flare up, jump, turn bullish, look up, swing, improved sentiments, bears covering short sales, escalate, group, shoot up, boom, gain, quote highest, buoyant, surge ahead, spurt.

BULL TRAP:
An erratic movement of share prices upwards, encouraging investors to buy in anticipation of further rise in prices.

BUY BACK:
Repurchase of debentures before the stipulated period, at par or at a discount, by companies or banks.

BUY ORDER:
An order to the stock broker to buy a share or security, either at the best price, or within a particular pricelimit.

CALL OPTION:
The right to buy a fixed number of shares/bonds at a particular price at a specified period, and is usually purchased in the expectation of a rising price.
The consideration or interest charge paid by the buyer to carry over a transaction from one settlement to the next.

**CONTRACT NOTE:**

Given by the stock broker to the buyer of shares, embodying an agreement reached between them to buy or sell the specified shares at the stated price.

**CONVERSION:**

Allotting a fixed number of shares, at their par value or at a premium, in exchange for a debenture or its convertible part. On conversion, shares issuing out or debentures rank on par with the other shares of the company.

**CURRENT YIELD:**

Dividend or interest received, calculated as a percentage of a share's or debenture's current market price.

**DAY ORDER:**

An order given to a stock broker to buy or sell particular shares which hold good only for that particular day when the order is placed.

**DAY TRADING:**

Buying and selling the same share during a single day, hoping to make a profit from price fluctuations.

**DEFENSIVE SHARES:**

Shares providing a safe return on the investor's money and comparatively more stable than the others.

**DIVIDEND:**

Dividend is the portion of the company's profit that is distributed to the shareholders. This is usually declared as
a percentage of the face value of the share and is in effect
the income the shareholder has earned on his investment.

DUMPING :
When shares are offered in large numbers for sale on
the market ignoring the effect of such an action on the
market.

EARNING PER SHARE [EPS] :
It is a ratio arrived at by dividing the net profit
after tax deduction by the number of shares.

EARNING YIELD :
The net profits of a company divided by the total
market price of its shares.

ELIGIBLE SECURITIES :
Shares, debentures and bonds which banks are ready to
accept as collateral for loans.

EX:
"EX" means without and shares are sometimes quoted
as "ex bonus" or "ex dividend" or "ex right". This
occurs when shares are purchased after the books are closed
but before the actual dividend or right or bonus is paid.

FACE VALUE (FV) :
The nominal value printed on the face of a share,
debenture or bond. This is known also as the par value.

FILL OR KILL ORDER :
An order to a stock broker to buy or sell shares imme-
diately. If the order is not executed at once, it should be
treated as cancelled.
FORWARD DEALING:

Contracts to buy or sell specific quantities of goods, currency, or freight at a stated price and a stated time in the future.

FORWARD PURCHASE:

A forward purchase is when one agrees to purchase shares at a future period at a certain price.

FUTURES:

Forward dealing in which the person enters into a contract for buying a commodity at a future date, for speculation. Such a person usually covers himself by making an opposite contract to buy or sell, which will leave him with a profit or cut his losses.

GILT-EDGED:

Usually government securities and bonds, a very safe asset to hold as the government is responsible for the payment of interest and refund.

GO-GO FUND:

A mutual fund which invests in the highly risky but potentially profitable shares.

GOOD DELIVERY:

A share certificate, together with its transfer form, meeting all the necessary requirements of a transfer.

GOOD - TILL CANCELED ORDER (GTC):

A client's order to buy or sell shares, usually at a specified price, which remains valid till executed.
HAVALA:
The rate fixed by the stock exchange for the purpose of working out the liabilities between member-brokers at the end of the settlement period in respect of unfulfilled contracts in specified securities which are to be carried to the subsequent period.

HEAVY SHARE:
A share that has a high price relative to the average price of shares on the market.

INSIDER TRADING:
An illegal activity in which persons in a company, who have unpublished price sensitive information, such as expansion plans, financial results, take-over bills etc., take advantage of such information to make a profit on the stock exchanges by buying or selling shares.

JOBBERS:
Members of a stock exchange who stand ready to buy and sell shares in which they specialize are called Jobbers.

KERB DEALINGS:
Transactions done among members after the closing of the official trading hours, even though such trading among the members is not strictly legal such as unofficial trading carried out outside the stock exchange premises and this is known as "kerb trading".

LIMIT ORDER:
When a client gives the stockbroker a price limit above which he cannot buy or below which he cannot sell, it is
called a limit order.

**MAKING – UP PRICE :**

The price at which a transaction is closed for the current settlement and carried forward to the following settlement.

**MARKET INDICES :**

There are five stock market indicators widely used by the investors in India: the Bombay Stock Exchange, the Sensitive Index, the BSE National Index, the Economic Times Index, the Financial Express Index, and Business Standard Index.

**NEGATIVE CARRY :**

When a security is purchased with borrowed funds, whose yield is less than the interest on the borrowed funds, it is said to have a negative carry, its opposite is positive carry.

**NET ASSET VALUE : (NAV)**

The total market price of all the shares held by a mutual fund less any liabilities, divided by the total number of outstanding shares on a particular date.

**NET BOOK VALUE : (NBV)**

The value at which an asset appears in the books of an organisation less any depreciation that has been applied since its purchase or its last revaluation.

**NON – CLEARED SECURITIES :**

Shares which are traded directly between brokers, and not cleared through the stock exchange clearing house. They
are also known as non-specified securities, B-group securities, or cash shares.

ODD LOTS:
An odd lots is a small number of shares one may get as a result of a bonus or right issue or the conversion of debentures. They are not in marketable lots.

ONE FOR ONE:
This is meant to denote that in a bonus issue declared, a bonus share has been given for every share held.

OVER BOUGHT:
It indicates a sharp rise in the price of a share or shares as a result of hectic buying by investors and speculators in the hope or further rise.

OVER SOLD:
It indicates that the price of a share or shares has fallen too fast and there are few sellers left.

OVERSUBSCRIBED:
If applications are received for shares in excess of the number offered, the issue is termed to be oversubscribed.

PARI PASSU:
This is a Latin term that means "having equal rights". When shares are issued pari passu with existing shares, it means they would be equal to and have identical rights with the existing shares.

PRICE-EARNING RATIO (P/E):
Arrived at by dividing the price of a share by the
earnings per share (EPS).

PRIMARY MARKET:

A market for new issues of shares, debentures and bonds, where investors apply directly to the issuer for allotment and pay application money into the issuer's account.

PRIME RATE:

The interest rate charged by banks to their most creditworthy customers.

QUOTE:

The highest bid and lowest offer for a share.

QUOTED SHARES:

The shares of a company which are officially registered on a stock exchange and whose prices are quoted in the official list.

RALLY:

A strong rise in the price of a share, or in the share market index, after a period of stagnation or declining trend.

REACTION:

A drop in share prices for poor performance of the company, equity dilution, profittaking etc.

RECORD DATE:

The date on which a person's name must be registered in the books of the company to make him eligible for the payment of the dividend, right issue, or bonus issue.
REDEMPTION:
The repayment at maturity of a bond or other document certifying a loan by the borrower to the lender.

RETURN ON EQUITY (ROE):
The net income of an organisation expressed as a percentage of its equity capital.

RIGGING:
The manipulation of share prices in order to attract gullible investors to buy or sell shares.

PULLOVER:
The transfer of funds from one investment to another.

SECONDARY MARKET:
It is a place where shares, already issued, are traded.

SECURITISATION:
The process that enables borrowing and lending by banks to be replaced by the issue of such securities such as Eurobonds.

STOP LOSS ORDER (SLD):
An order placed with a broker in a security or commodity market to close an open position at a specified price in order to limit a loss.

SPECULATION:
An activity in which a person assumes high risks quite unconcerned about the safety of his invested principal to achieve large capital gains.

SPOT DELIVERY:
When the payment for the delivery of shares is done on
the same day, or on the following date, it is called a spot delivery.

SWITCHING:

When investments are transferred among different types of investment or within the same types of investment for higher gains, it is called switching.

TRANSFER DEED:

A transfer deed is the document that records the transfer of shares and debentures.

TRENDLINE:

A straight line drawn to connect the highest or lowest prices of a share over a period.

UNDERWRITE:

Underwriting is effectively a guarantee wherein the underwriter agrees to purchase a certain number of shares, in the event the issue is undersubscribed, for a certain fee.

VALIUM HOLIDAY:

A colloquial name of a non-trading day on a stock exchange or other commercial market.

XR (EX RIGHT):

The price of share without the benefit to the buyer of a share to subscribe for the right issue.

YIELD:

Yield is the return earned by the investor or shareholder on his investment.
YO-YO STOCK:
Highly volatile shares which go up and down, like a yo-yo.

ZERO INTEREST BONDS/DEBENTURES:
The bonds or debentures which offer no interest payments and these will be either fully or partly convertible into equity shares of the company at the choice of the bond/debenture holder or will be redeemable debentures/bonds.