

COURSE TITLE	SECURITY ANALYSIS & PORTFOLIO MANAGEMENT
COURSE CODE	05MF0106
COURSE CREDITS	4

Objective:

- 1 To understand about Investment Management with its objective.
- 2 To impart a thorough understanding about Concept of Risk & Return of an individual security as well as a Portfolio.
- 3 To understand about the how to reconstruct a Portfolio with using different techniques.
- 4 To learn about Fundamental Analysis of a company as a whole.
- 5 To introduce various technique for representation of financial data.

Course Outcomes: After completion of this course, student will be able to:

- 1 Students will explore Investment Management, delving into available options for both individuals and multinational corporations, guiding them on effective investment strategies. The objective of Investment Management, within its constraints, is to optimize returns while managing risk effectively
- 2 Students will engage in practical exercises to comprehend the concepts of Risk & Return, construct portfolios, analyse risk and return from company data, and understand the CAPM model
- 3 Students will gain proficiency in restructuring portfolios, examining factors influencing the process, and practicing various techniques for portfolio reconstruction through hands-on exercises
- 4 Students will be equipped with the skills to conduct comprehensive fundamental analysis of companies, including company, industry, and economic analysis using diverse techniques and concepts, alongside learning additional relative measures for analysis
- 5 Students will embark on a comprehensive journey through Investment Management, encompassing options for individuals and multinational corporations, practical exercises on Risk & Return, portfolio construction, CAPM model understanding, portfolio restructuring techniques, and in-depth fundamental analysis of companies, industries, and economies, including relative measures for analysis.

Pre-requisite of course:Basic Knowledge about Finance

Teaching and Examination Scheme

Theory Hours	Tutorial Hours	Practical Hours	ESE	IA	CSE	Viva	Term Work
2	0	4	50	30	20	0	50

Contents : Unit	Topics	Contact Hours
1	Investment Management, Risk & Return Introduction to Investment Management, Investment vs Speculation, Investment Process, what are the alternative available for Investment, Investment Objective and Factor affecting Investment Decision, Short term goal, long term goal, Types of Investment., Introduction of Risk, Types of Risk, Ex-Ante, Ex-Post, what is Return, how it is calculated, GM, AM, HM, one year & multiple periods holding return, Construct Portfolio, Portfolio Risk and Return, Beta, Alpha, Correlation coefficient , CAPM Model	15
2	Portfolio Management & Fundamental Analysis Portfolio Management, what is Portfolio Revision or portfolio restructuring, What are the factors affecting for restructuring or rebalancing a Portfolio, What are the fund manager strategy for selecting a security and make a portfolio, Portfolio Revision Techniques. Constant Dollar Value Plan, Constant Ratio Plan, Variable Ratio Plan, Introduction of Fundamental Analysis., Company Analysis, Industry Analysis, Economy Analysis, Industry Life Cycle, Valuation of Equity, Gordon Model, Free cash flows. Explain through Example and numeric, Relative valuation model, P/E, P/BV, MV/BV, Issue & Perspectives on Valuation, Economic Indicator	15
Total Hours		30

Suggested List of Experiments:

Contents : Unit	Topics	Contact Hours
1	Unit 1 Explain Investment Management with its objectives, Explain difference types of Investment., Explain Investment Process with any one process in detail., The standard deviation of Greaves Ltd. Stock is 24% and its correlation coefficient with the market portfolio is 0.5. The expected return on the market is 16% with a standard deviation of 20%. If the risk-free return is 6%, the required rate of return on Greaves Ltd., scrip is, Mr. Ramesh has the following scrips in his portfolio: The required rate of return (%) on his portfolio is, if risk free return is 4% and return on market is 4%., The shares of Sumanta Ltd. Are expected to provide the following returns in different scenarios: The standard deviation is, Consider stock P & Q. The expected return on stock P and stock Q are 10% and 20% respectively. IF standard deviation of stock P is 2% and stock Q is 5%, the expected return and standard deviation of a portfolio combing these two stocks in equal proportion are ... f their correlation coefficient is 0.4., The following information of Ram and Co. Ltd., is available in respect of the return from security X under different economic conditions :The expected return of the security and the risk associated with that are and	30
2	Unit 2	30

An investor has Rs. 15 lakhs to invest. He wants to use the constant dollar value plan for managing his investments. He wants to invest his money equally in stocks and bonds. He identified a stock for investing, which is currently trading Rs. 250. He wants to revise his portfolio whenever there is a 10% change in the value of the portfolio. If the price of the share declines to Rs. 200, then increases to Rs. 290 and then fall back to Rs. 250, show the revision action taken by the investor. Also, calculate the number of shares held by him and his gain at the end. Compare the gains from the constant dollar value plan with those from a passive buy and hold strategy, Mr. Adarsh is working with Money Managers Ltd. At Mumbai. He is aware of the mechanical portfolio management techniques and wants to test one of the techniques on an equity fund he has constructed and compare the gains and losses from the technique with those from a passive buy and hold strategy. The fund consists of equities only and the ending NAVs of the fund he constructed for the last 10 months are given here: Assume that Adarsh had invested a notional amount of Rs. 20 lakhs equally in the equity fund and a conservative portfolio (of bonds) in the beginning of December 2020 and total portfolio was being rebalanced each time the NAV of the fund increased or decreased by 15%. You are required to determine the value of the Portfolio for each level of NAV following the Constant Dollar Value Plan., The investment portfolio of Mr. Rajiv Sharma consists of an aggressive stock, Larsen & Tubro Ltd. (L & T), and risk-free fixed income securities in the ratio of 1:1. Current market value of the Plan for revision of the portfolio. The target ratio for the aggressive stock and the risk-free fixed income securities is 1:1. He rebalances the portfolio whenever the actual ratio deviates from the target ratio by 10 percent. The current market price of L&T is Rs. 175. Assuming that the market price of L&T first increases to Rs. 215 and then declines to Rs. 165, you are required to: a) Determine the revaluation points in the given ranges of prices for L&T. b) Show how the rebalancing of the portfolio can be carried out., Find out the Problems in Portfolio Revision., Explain factors affecting Portfolio Revision., The current market price of Delicious Ltd., is Rs. 50 per share. The par value of share is Rs. 10. The most recent dividend declared by the company was 15%. An analyst at a research firm using the 3-phase dividend discount model estimates that the beginning growth rate of dividends will be 12% which will last only for a period of 3 years. The growth will then decline to a constant long run normal growth rate of 6% over a 3 year transition period. Given this information, compute the following. a. What is expected growth rate in year 4? b. What are the expected dividends in year 5 & year 6? c. If the required rate of 13% is an appropriated discount rate, what is the present value of the future stream of dividends of Delicious Ltd., XYZ Ltd. Paid a dividend Rs. 2 for the current year. The dividend is expected to grow at 40% for the next 5 years and at 15% per annum thereafter. The return on 182 days T-bills is 11% per annum and the market return is expected to be around 18% with a variance of 24%. The covariance of XYZ's return with that of the market is 30%. You are required to calculate the intrinsic value of the XYZ stock., Assume that you have the following information about XYZ Ltd.

Earnings Per Share = Rs. 17.50 Growth rate in the first five years = 15% Growth Rate after five years = 21% Pay-out ratio first five years = 30% Pay-out ratio after five years = 75% Required rate of return = 27% Find our P/E Ratio of the firm., Calculate Price/Sales Ratio. Sales per share = Rs. 150 Earnings per share = Rs. 37 Dividend paid = Rs. 17 per share Growth for first seven years = 5.50% Growth after seven years will be = 9.75% Required rate = 13%, Find Price/Book Value Ratio from the information given below: Dividend Paid = Rs. 1.8 Earnings per Share = Rs. 5 Current Market Price = Rs. 54 Book Value = Rs. 36 Growth Rate = 6% Ke = 17%, Explain Industry Life Cycle with its stages., Explain Fundamental Analysis with its framework.	
Total Hours	60

Textbook :

- 1 Investments: Analysis and Management, Charles P. Jones, John Wiley & Sons , 2020
- 2 Security Analysis, Benjamin Graham and David Dodd, McGraw-Hill, 1934

References:

- 1 Portfolio Management: Theory and Applications, Portfolio Management: Theory and Applications, Frank J. Fabozzi and Harry M. Markowitz, Wiley, 2002
- 2 Active Portfolio Management: A Quantitative Approach for Producing Superior Returns and Controlling Risk, Active Portfolio Management: A Quantitative Approach for Producing Superior Returns and Controlling Risk, Richard C. Grinold and Ronald N. Kahn, McGraw-Hill Education, 1999
- 3 Investments, Investments, Zvi Bodie, Alex Kane, and Alan J. Marcus, McGraw-Hill Education, 2017

Suggested Theory Distribution:

The suggested theory distribution as per Bloom’s taxonomy is as follows. This distribution serves as guidelines for teachers and students to achieve effective teaching-learning process

Distribution of Theory for course delivery					
Remember / Knowledge	Understand	Apply	Analyze	Evaluate	Higher order Thinking / Creative
10.00	20.00	25.00	25.00	10.00	10.00

Instructional Method:

- 1 Board Work
- 2 PPT
- 3 Demo

Supplementary Resources:

- 1 www.investopedia.com/terms/s/securityanalysis.asp

Supplementary Resources:

2 <https://www.portfoliovisualizer.com/>