



Plot No. 2, Knowledge Park-III, Greater Noida (U.P.) – 201306  
**POST GRADUATE DIPLOMA IN MANAGEMENT (2021-22)**  
**END TERM EXAMINATION (TERM - IV)**

Subject Name: **Security Analysis and Portfolio Management**

Time: **02.30 hrs**

Sub. Code: **PGF-02**

Max Marks: **60**

**Note:**

**1. All questions are compulsory. Section A carries 10 marks: 5 questions of 2 marks each, Section B carries 30 marks having 3 questions (with internal choice question in each) of 10 marks each and Section C carries 20 marks one Case Study having 2 questions of 10 marks each.**

**SECTION – A**

**Attempt all questions. All questions are compulsory.**

**2×5 = 10 Marks**

- Q. 1 (A): What is systematic risk in security analysis?  
Q. 1 (B): What do you understand by depository and its main function?  
Q. 1 (C) Explain support and resistance levels in chart pattern.  
Q. 1 (D): What is fundamental analysis in equity research?  
Q. 1 (E): What do you understand by zero coupon bonds?

**SECTION - B**

All questions are compulsory (Each question has an internal choice. Attempt any one (either A or B) from the internal choice)

**10\*3 = 30 Marks**

**Q. 2: (A).** “Macroeconomic variables affect the stock market” Do you agree with this statement? Give examination of your decision.

**Or**

**Q. 2: (B).** “Book building process identify the issue price based on market forces” Elaborate this statement with advantages of book building system.

**Q. 3: (A).** What will be the value of the bond, if the discount rate is 15 percent? Coupon rate is 10% and face Value is Rs 1000 and time to maturity is 4 years.

**Or**

**Q. 3: (B).** What do you understand by beta value of stock? What is its relevance in risk and return identification of a stock.

**Q. 4: (A).** Comment on current Indian Stock markets performance. Discuss key factors that may drive the BSE in the next two years.

**Or**

**Q. 4: (B).** Consider following information for three mutual funds, X, Y and Z and the market. The mean risk free rate was 8 %. **Calculate the Treynor measure, Sharp measure, and Jensen measure for the three mutual funds and the market index.**

Mutual funds	Mean Return (%)	Standard Deviation (%)	Beta
P	10	14	0.9
Q	12	18	1.1
R	14	21	1.2
Market Index	11	14	1.0

## SECTION – C

Read the case and answer the questions

10\*2=20 Marks

### Q. 5: Case Study:

Mr. S.K. Singh, an investment consultant and financial advisor, recommends stocks to investors regularly through his website. He is very well known for his advice on different stocks based on his research and supportive evidences. Mr. Singh emphasizes on investor awareness to make them competent enough to make investment in the stock market in a scientific way besides making them advised about buying and selling of stocks. Mr. Karan, an engineer in Delhi, approaches to Mr. Singh. Karan says, “I am novice to stock market and want to make some investment of Rs. 10,00,000 in stocks. I can stay invested for a period of three years.” Mr. Singh immediately sends some tutorial material to him about market P/E ratio and stocks beta values. He advises Karan that he should read this first before making position in stock market and asks whether he wish to take some risk. He also says to Karan about assessing valuation of stock market based on P/E ratio. Karan replies to him and says, “I thank you about this informative material and now I know that market is very much overvalued as market P/E is around 28 against its average of 20. However, I want to take risk as I am risk taker by nature.” Mr. Singh suggests him that he must invest in index based stocks and send him another statement containing important statistics related to index stocks and asks Karan to choose stocks of his choice. The statement reads as follows:

Sr · N o	Security Name	Bet a	R <sup>2</sup>	Volatilit y %
1	ABB Ltd.	0.81	0.4	1.41
2	ACC Ltd.	0.83	0.4	1.12
3	Ambuja Cements Ltd.	0.72	0.31	1.21
4	Axis Bank Ltd.	1.13	0.55	1.69
5	Bharat Heavy Electricals Ltd.	0.91	0.56	1.45
6	Bharat Petroleum Corporation Ltd.	0.49	0.14	1.57
7	Bharti Airtel Ltd.	0.97	0.35	1.49
8	Cairn India Ltd.	0.89	0.44	1.73
9	Cipla Ltd.	0.48	0.18	1.55
10	DLF Ltd.	1.58	0.55	2.1
11	GAIL (India) Ltd.	0.67	0.3	2.01
12	HCL Technologies Ltd.	1.07	0.35	2.45
13	HDFC Bank Ltd.	0.81	0.58	1

Sr · N o	Security Name	Bet a	R <sup>2</sup>	Volatilit y %
26	Larsen & Toubro Ltd.	1.25	0.71	1.21
27	Mahindra & Mahindra Ltd.	1.27	0.55	1.61
28	Maruti Suzuki India Ltd.	0.73	0.32	1.43
29	NTPC Ltd.	0.59	0.41	0.92
30	Oil & Natural Gas Corporation Ltd.	0.8	0.42	1.19
31	Power Grid Corporation of India Ltd.	0.78	0.52	1.57
32	Punjab National Bank	0.83	0.49	1.08
33	Ranbaxy Laboratories Ltd.	0.82	0.25	1.34
34	Reliance Capital Ltd.	1.54	0.61	1.26
35	Reliance Communications Ltd.	1.35	0.55	1.33
36	Reliance Industries Ltd.	1.13	0.67	1.79
37	Reliance Infrastructure Ltd.	1.39	0.61	1.78
38	Reliance Power Ltd.	1.01	0.49	1.71

14	Hero Honda Motors Ltd.	0.83	0.36	2.33	39	Siemens Ltd.	1.14	0.58	1.4
15	Hindalco Industries Ltd.	1.31	0.46	1.81	40	State Bank of India	1.15	0.62	1.78
16	Hindustan Unilever Ltd.	0.38	0.14	1.34	41	Steel Authority of India Ltd.	1.29	0.59	2.36
17	Housing Development Finance Corporation Ltd.	1.17	0.59	1.86	42	Sterlite Industries (India) Ltd.	1.36	0.52	2.01
18	I T C Ltd.	0.66	0.31	1.09	43	Sun Pharmaceutical Industries Ltd.	0.66	0.21	1.87
19	ICICI Bank Ltd.	1.41	0.69	2.13	44	Suzlon Energy Ltd.	1.43	0.41	1.48
20	Idea Cellular Ltd.	1.07	0.42	1.85	45	Tata Consultancy Services Ltd.	0.82	0.37	1.21
21	Infosys Technologies Ltd.	0.69	0.36	1.11	46	Tata Motors Ltd.	1.09	0.32	2.22
22	Infrastructure Development Finance Co. Ltd.	1.36	0.53	2.1	47	Tata Power Co. Ltd.	0.73	0.41	1.25
23	Jaiprakash Associates Ltd.	1.55	0.61	2.06	48	Tata Steel Ltd.	1.37	0.5	1.96
24	Jindal Steel & Power Ltd.	1.09	0.49	1.09	49	Unitech Ltd.	1.73	0.56	2.31
25	Kotak Mahindra Bank Ltd.	1.29	0.56	1.62	50	Wipro Ltd.	0.73	0.35	1.28

After two days Karan replies that he would like to invest in Unitech, JP Associates, ICICI bank and Tata Motors. Mr. Singh writes to Karan that he is making his portfolio very risky and suggests him to take moderate risk under prevailing market conditions. He, further, recommends Karan that he must invest in low beta stocks such as TCS, NTPC, Cipla etc. along with very few high beta stocks in prevailing market conditions. Mr. Singh also emphasizes that Karan's portfolio should be well diversified and the weight of first three recommended shares should be more in portfolio compared to high beta stocks. He also recommends that Karan should invest in phased manner and should wait for a big correction in stock market before investing big money.

Answer the following Questions:

**Q. 5: (A).** Do you appreciate the consultancy style of Mr. Singh? Give supportive reasons for your answer.

**Q. 5: (B).** Do you validate the recommendation made by Mr. Singh to Karan about his portfolio construction and timing of investment. Can you suggest other stocks to him keeping in view the market situations? Give reasoning for your answer

#### Mapping of Questions with Course Learning Outcome

Question Number	COs	Marks Allocated
Q. 1:	CO1	10 marks
Q. 2:	CO1	10 marks
Q. 3:	CO2	10 marks
Q. 4:	CO4	10 marks
Q. 5:	CO3	20 marks